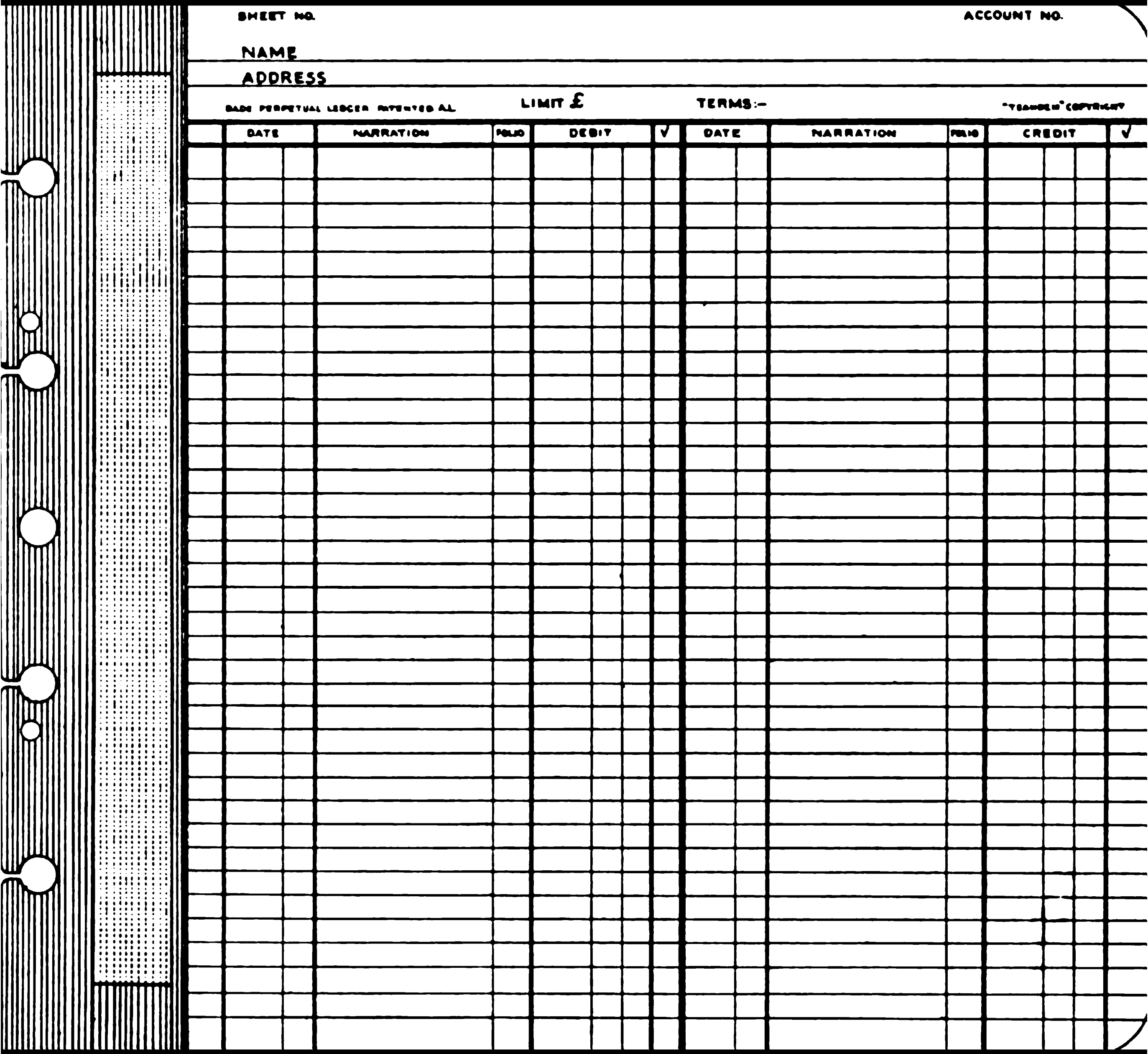

Advanced Accounting

Lawrence Robert Dicksee, James Edward
Geoffrey De Montmorency

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ADVANCED ACCOUNTING

BY

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WITH

AN APPENDIX

ON

THE LAW RELATING TO ACCOUNTS

BY

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(of the Middle Temple, Barrister-at-Law.)

THIRD EDITION.

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1907

BY THE SAME AUTHOR.

CONTENTS.

PREFACE TO FIRST EDITION.

THE present work was commenced upwards of two years ago, and was at that time primarily undertaken with a view to assisting candidates for the Final Examination of the Institute of Chartered Accountants to attain the high standard of knowledge which has been set at those Examinations during the past few years. The pressure of other business, however, materially interfered with its rapid progress at that time, and, in the meanwhile, there has been a general awakening on the part of both business men and educationalists to the importance of Accounting, which has, it is thought, still further emphasised the desirability of such a work being issued as soon as possible.

The subject of Accounting has been included in the curriculum of the University of Birmingham for the Faculty of Commerce, and a very complete knowledge of the science is required on the part of all candidates for its Commercial degrees. The University of London has introduced "Accountancy and Business Methods" as an optional subject in connection with its Science degrees in the Economics section. Instruction in the subject has also been arranged for by the newly founded Victoria University of Manchester, and a knowledge of Accounting will doubtless be required on the part of candidates for its degrees in Commerce. Other provincial Universities have also been established during the past year, and these doubtless in due course will create Faculties of Commerce, which, in their turn, will serve to further diffuse a thorough knowledge of Accounts. The subject of Advanced Accounting has also been included in the scheme of instruction undertaken by the Commercial Education Committee of the London Chamber of Commerce; while the standard in Accounts required by examiners for the Institute of Chartered Accountants, and other organised bodies of professional Accountants throughout the United Kingdom, is steadily becoming more and more exacting.

It has been my privilege to be in no small degree associated with this movement, by being called upon to impart instruction in Accounts in connection with certain of these undertakings, and as a result I have been led to the belief that a work dealing adequately with the whole range of subjects embraced would meet a want that has hitherto been experienced doubtless by other teachers besides myself. It might perhaps be thought that a work designed upon these comprehensive lines could not be equally suitable, and equally useful, to both Accountant Students and others, who, while desiring a knowledge of Accounts, had yet no intention of entering the profession of accountancy. But, inasmuch as the object is in all cases presumably to acquire a

thorough knowledge of the science of Accounts, it is thought that the requirements of these various classes of Students, if not absolutely identical, have at least very much in common, and are therefore capable of being served from the same source. In the case of Accountant Students, their reading will naturally to a large extent be supplemented by practical experience, which (if properly guided) is perhaps the best teacher of all. In the case of others, it must be the aim of the teacher to, so far as lies in his power, supply the place of such practical instruction, for this is a task which, it is thought, cannot be successfully accomplished by any book.

It has throughout been my aim to handle the matter in such a manner that the reader may be inspired with a real interest in a subject which is in many quarters thought to be absolutely uninteresting. If this object has been achieved, the Student will have already made a great step towards a mastery of the science of Accounting; and it is perhaps safe to say that until such an interest has been aroused his progress is not likely to be rapid. If, in this endeavour to popularise an admittedly unpopular subject, I have occasionally fallen into inaccuracies of expression, I can only hope that these will be kindly pointed out to me by my readers, and I promise that their suggestions shall receive my best attention in any subsequent edition.

I should like to take this opportunity of expressing my thanks to Mr. ADAM MURRAY, F.C.A., Mr. ROGER N. CARTER, F.C.A., Mr. CHAS. E. BRADLEY, F.C.A., and the Hon. Secretaries of the various Chartered Accountants Students' Societies in Great Britain, who have supplied me with the material upon which Chapters XXII. and XXIII. are founded.

The Appendix on the Law relating to Accounts, by Mr. J. E. G. DE MONTMORENCY, B.A., LL.B., will, I trust, be found as interesting and as instructive to my readers as it has already proved to myself; it will, I venture to hope, materially help to make the present work acceptable to Lawyers as well as to Students of Accounts. The second Appendix has been added for the convenience of those who may wish to use the work as a text-book. The questions have, for the most part, been extracted from the papers set from time to time at the Examinations of the Institute of Chartered Accountants, but also comprise some that have been set by the Joint Examining Board of Chartered Accountants in Scotland, and some set by the Author at Examinations held by the Chartered Institute of Secretaries, the University of Birmingham, the London School of Economics, and other bodies. It is hoped, therefore, that they will be found of a thoroughly representative character.

LAWRENCE R. DICKSEE.

COPTHALL HOUSE, LONDON, E.C.

September 24th 1903.

PREFACE TO THIRD EDITION.

IN preparing for the Press the Third Edition of 2,500 copies of this work, I have taken advantage of the opportunity thus afforded to make several additions to the text. In particular the Chapters on "Branch Accounts," "Partnership Accounts," and "Depreciation" have been amplified and brought up to date, various amendments have been made in the Chapters on "Bookkeeping without Books" and "Cost Accounts," and increased space has been afforded to the subject of "Secret Reserves." After careful consideration, I have decided not to attempt to deal exhaustively with the question of Depreciation as applied to the Accounts of Local Authorities in this work; as the subject, being a somewhat special one, can, I think, be more conveniently dealt with in a separate volume. So far as seems necessary for the present purpose, however, the subject is referred to in the Chapter on "Depreciation," and Mr. J. E. G. de Montmorency has added to "Appendix A" a Section dealing with the law relating to the Accounts of Local Authorities generally. The law relating to Income Tax has been considerably modified while this Edition was in preparation; but, unless any unexpected alterations are made in the Finance Bill, 1907, during its latest stages, the effect of all alterations in the law will be found embodied in these pages. The Chapter giving examples of Accounts actually published by various public companies has been varied and considerably extended. It is hoped that the examples of foreign companies' Balance Sheets will be found of interest. It may be added that advantage has been taken of the opportunity afforded by a new Edition to carefully revise the whole of the text, and to bring it up to date in every possible way.

It is hoped that these alterations and additions will enhance the value of this work, and increase the popularity which its unexpectedly large sales already show it to have earned. I need hardly add, however, that any suggestions that my readers may favour me with will be appreciated, and will receive due consideration when a further Edition is about to be prepared. In conclusion, I should like to take the opportunity of thanking those gentlemen who have drawn my attention to typographical errors in the Second Edition, or to points which they thought might with advantage receive increased consideration.

LAWRENCE R. DICKSEE.

Copthall House, London, E.C.
26th July 1907.

ERRATA AND ADDENDA.

PAGE 123.—Estate Duty on Real Estate should be £1,125, and other figures altered accordingly.

PAGE 150.—When Clause 23 (1) of the Finance Bill, 1907, comes into operation, the Problem at the foot of this page will be obsolete.

CHAPTER I.

INTRODUCTION.

THE object of the present work is to combine, within the limits of a volume of reasonable size, such information with regard to the theory and practice of accounting as will enable, or at least assist, the reader to attain the standard fixed by such examinations as those of the Institute of Chartered Accountants (Final), the Society of Accountants and Auditors (Final), the University of Birmingham (Bachelor of Commerce), the Victoria University of Manchester (Bachelor of Commerce), the University of London (Bachelor of Science [Economics]), and the like. That the requisite information may possibly be obtained from books already published is not denied, but to obtain it from such sources would involve consulting a relatively large number of different works, from each of which the desired portion would have to be selected; while many existing publications, which are in other respects excellent, are defective by reason of not being sufficiently up to date to meet present requirements. From what has been said, however, it will be seen that the present volume lays no claim to absolute originality, but it is hoped that—if only on the grounds of economy, of both time and money—it will be found to meet the requirements of those who desire to obtain (without unnecessary expenditure of either commodity) a thorough knowledge of the higher branches of accounting. It is hardly to be expected that this result can be achieved in its entirety, save by those whose practical experience with the subject has been fairly considerable; but the effort has been made in the present work to study the requirements not merely of the practical man who desires further guidance and assistance in the formulation of his ideas upon a thoroughly sound theoretical basis, but also the student in accounts who, while bereft of the advantages that can be derived only from actual practice, yet finds it necessary to acquire a sound mastery of the principles of the subject.

In a work of this description it is manifestly unnecessary to—at the waste of valuable space—weary the reader with detailed explanations upon quite elementary matters. A reasonable amount of knowledge on his part (such as might readily be obtained by a perusal of Parts I. and II. of the author's "Bookkeeping for Accountant Students") has therefore been assumed; but because it has been found that some who have arrived at this standard are yet somewhat deficient in many elementary principles of fundamental importance, some space has been devoted to the consideration of certain matters that might be regarded as not properly belonging to the study of advanced accounting. These elementary questions are, however, passed over as quickly as possible, and are merely introduced for the sake of avoiding any risk of misconception as to the manner in which the more advanced problems are handled. It is hoped, therefore, that while the present work will be found sufficiently exhaustive, it will at the same time not impose too great a strain upon the patience of the advanced student.

It is perhaps desirable to add a word as to the manner in which the subject has been handled. The chapters dealing chiefly with questions of

principle follow the normal lines, although numerous paragraph headings have been introduced to facilitate subsequent reference. Those chapters, however, which explain actual operations in practical bookkeeping are in each case illustrated by *pro formâ* problems introducing the various points to be elucidated. By this means it is hoped that an additional practical value may be given to the work.

In conclusion, it may be added that while a complete knowledge of every point mentioned is not essential to the thorough understanding of each particular section of the subject, yet to a very large extent it is impossible for the higher problems of bookkeeping to be thoroughly grasped by those who have not studied the less difficult applications of the science. It follows therefore that the fullest benefits can only be derived from each individual chapter after a careful study of all those that precede it. At the same time, it should be stated that the various chapters have been framed with a view to facilitating ready reference with regard to any particular point on which information may be sought, and it is therefore hoped that the work may be found of value to the practical man of business as well as to the student who has sufficient leisure to study the subject exhaustively.

CHAPTER II.

CAPITAL AND REVENUE.

THE proper distinction between Capital and Revenue items is one of the most important matters in connection with accurate accounting, and as time goes on—and the tendency is for business operations to become continually more complex—the importance of this distinction becomes increased rather than reduced. The reader who has been in the habit of preparing Balance Sheets and Profit and Loss Accounts from a Trial Balance will probably hardly need to be reminded that this operation consists in the sorting out of the various Ledger Balances under the two headings of "Capital" and "Revenue," the Capital items being collected together in the form of a Balance Sheet, while the Revenue items are collected into another account, or other accounts, variously named "Trading Account," "Profit and Loss Account," "Revenue Account," &c., all of which may (for purposes of convenience) be described by the generic term "Revenue Account." Simple as this operation may seem from the point of view of the practical bookkeeper, it is hardly overstating the case to say that most of the errors of principle that are perpetrated in practice arise from the lack of ability, or a lack of desire, to strictly discriminate between Capital and Revenue items; hence the vast importance of a clear understanding upon this point. This understanding may, it is thought, be best acquired by dealing with the subject upon systematic lines.

EXAMPLE OF A SINGLE SHIP.

One of the most ancient (and therefore one of the simplest) modes of transacting business is through the agency of a ship. Our first example may therefore be appropriately sought in this direction. Shortly stated, the position of affairs here is that the proprietors agree to find among them a certain sum of money, which is thought sufficient for the purposes of their undertaking. The amount of money so found by them is described as the Capital of the venture, and from the point of view of the undertaking (that is to say, in the books of the ship) it is regarded as a receipt upon Capital Account. The bulk of the money so raised would be spent in acquiring the desired vessel, and the amount so expended comes under the heading of "Capital Expenditure." There will, however, be further Capital Expenditure necessary before the ship can start upon its first voyage, in thoroughly fitting it out after it leaves the builders' hands, and in placing on board the necessary stores, &c., to enable it to take the sea. At the moment that the ship has been fully equipped it may be said that Capital Expenditure ceases, and any surplus of Capital Receipts over Capital Expenditure up to that date may be regarded as the "Working Capital"—that is to say, the excess of the moneys adventured by the proprietors over and above those necessary for the equipping of their undertaking, which is deemed necessary to enable it to engage

in its business operations without being unduly handicapped by want of capital. At this stage the actual trading operations commence, which will involve the receipt ("on Revenue Account") of various sums earned for freight, passage money, &c., and the expenditure incurred in the process of earning these moneys, *e.g.*, Wages, Consumption of Stores, Coal, Port Dues, and the like. When the voyage has been completed, and all outstanding accounts collected (or paid, as the case may be), the result (after replacing stores consumed, and the like, and bringing them up to the same level as before) will be that the available cash balance is either more or less than the original working capital. Any excess of the cash balance over the original working capital will represent net profit earned, and any deficiency there may be will represent loss incurred during the voyage. The problem is, from most points of view, quite simple, in that at the completion of each voyage it is possible to strike a balance of accounts, leaving practically no balances outstanding as representing uncompleted transactions. There is, however, a point that must be carefully borne in mind—namely, that this method of arriving at the profit depends for its accuracy upon the assumption that such payments have been made and charged up against Revenue as will make good any wastage that may have taken place in the original equipment of the undertaking. This wastage may be roughly divided under two headings—consumption of specific stores which may be readily replaced by the purchase of others, and the indirect operations of wear and tear and lapse of time, which detract from the value of the assets represented by Capital Expenditure, but which cannot be conveniently made good by the immediate expenditure of a corresponding sum. This latter class of indirect wastage is known as "Depreciation." The true profits of an undertaking cannot be ascertained without first of all charging against Revenue the amount of loss sustained under the heading Depreciation; but in this particular instance it is usual to ignore Depreciation, because it is thought undesirable to allow large sums of money (such as would be necessary to rehabilitate the Capital assets) to remain indefinitely in the hands of the ship's manager. But when this course is pursued, it is important to bear in mind that the Revenue Account, omitting as it does to provide for Depreciation, *does not show the true* NET *profit earned;* while, on the other hand, the Capital assets, being retained in the books at a figure exceeding their actual value, are *over*-stated to a corresponding extent.

ADDITIONAL CAPITAL EXPENDITURE.

The same principles apply to all other classes of undertakings, but it is rarely that they arise in quite so simple a form, because with most concerns the expenditure on Capital Account, instead of ceasing before the Revenue Account is opened, is continually being added to for the sake of extending or improving the original undertaking. Examples coming under this heading are afforded by gas works, water works, railways, and the like. In these cases Capital Expenditure and expenditure upon Revenue Account have, of necessity, to some extent to be incurred simultaneously; but there is as a rule no difficulty in keeping the Capital Expenditure distinct from the outset, and in any case the principles already enunciated will apply. Only that expenditure which is incurred with a view to completing or improving the equipment of the undertaking, and thus increasing its capacity to earn revenue, may be properly charged as Capital Expenditure: all other expenditure must be debited to Revenue.

And as with these undertakings Capital Expenditure will be continually taking place, so, on the other hand, will capital assets be continually wearing out, and having to be replaced in order to keep the undertaking as a whole in a proper state of working efficiency. The cost of these replacements must in all cases be charged against Revenue, and (so far as it goes) it will take the place of provision for Depreciation. If the various assets wear out, and have to be replaced very quickly, the expenditure upon renewals may very closely approximate to the actual wastage caused by Depreciation; in practice, however, there will always be some margin,

because a certain amount of wastage must necessarily take place before expenditure can be usefully incurred upon renewals and repairs. Even in these cases, therefore, some allowance for Depreciation is necessary in addition to the actual expenditure, if the Revenue Account is to show the true profit of the undertaking.

CAPITAL ASSETS.

From what has been stated it will be seen that all expenditure that may properly be regarded as Capital Expenditure must be represented by more or less tangible assets, whereas nothing remains to represent expenditure that has been incurred upon Revenue Account. The expenditure under both headings is, in bookkeeping, represented by a debit balance in the Ledger, and the ultimate test of the reality of Capital Expenditure is as to whether there exists an asset which may be said to still represent the expenditure incurred.

When, however, a shrinkage in the value of assets has occurred, owing to causes outside the ordinary operations of carrying on the business, it would not be proper to debit such wastage to Revenue Account, for if such a wastage or loss as this were to be debited to Revenue Account the actual result of the trading operations would be obscured. If thought desirable, such losses of Capital may be made good by specifically allocating profits on Revenue Account to that purpose, but under no circumstances does the law *require* this to be done before profits are divided among the proprietors of the undertaking, and in any event it is desirable that the accounts should clearly distinguish between proper expenditure *on* Revenue Account, and such incidental losses on Capital Account as may have occurred. It thus follows that Capital assets may decrease in value without Revenue being affected in consequence. So long, however, as these assets are not realised, such shrinkage can at best be only an estimated item, and it is therefore usual to ignore it in the accounts. Hence, in accounts, there is not necessarily any very intimate connection between the actual intrinsic value of Capital assets at any given moment and the value at which they appear in the books of account. The proper basis for our present purpose may be taken to be the cost price, subject only to deduction for such Depreciation as may be properly charged against Revenue. *Per contra* estimated increases in the value of Capital assets should be likewise disregarded.

FIXED AND FLOATING ASSETS.

The justification for thus ignoring fluctuations in the value of Capital assets is that these assets have been acquired, and are being permanently retained, not with a view to their being eventually realised at a profit in the ordinary course of business, but with a view to their being *used* for the purpose of enabling trading profits to be made in other ways. For example, there is no fixed connection between the realisable value of a ship and its earning capacity; and in the case of a factory, its value to the undertaking depends merely upon the accommodation that it offers, and is entirely irrespective of any speculative rise or fall that may have taken place in the value of land or building materials. Similarly, the value of machinery to a business depends upon the amount of work that can be turned out, and not upon the market price of iron or steel at that particular time. For practical purposes, therefore, these fluctuations may fairly be said to be of no account, and in any event it is quite an open question whether, pending a realisation (which is not contemplated), any more reliable basis of value could be adopted than the actual cost in the first instance.

In the case, however, of assets which it is *not* intended to retain and utilise in the business (as, for example, Stock, Book Debts, or temporary Investments), a wholly different question arises. Here, if the accounts are to be upon a sound basis, it is important not to lose sight of the fact that the whole object of the business is to convert these items into cash at the earliest possible moment, or at any moment that may be thought convenient. In every case, therefore, the intrinsic value at the moment is clearly a potent factor, and any shrinkage that may have taken place must consequently be regarded as a realised loss if the accounts are to be kept upon

a sound basis, and as such it must be deducted from the value of the asset and debited to Revenue. *Per contra* appreciations in the value of these floating assets might with equal propriety be credited to Revenue; but as, pending realisation, there must always be a doubt as to whether any such appreciation has actually occurred, it is only prudent to postpone taking credit for the assumed profit until such time as it has been actually earned. A further argument in support of this method of treatment is afforded by the consideration that the proper time to take credit for a profit on the realisation of floating assets would certainly appear to be the time when such realisation is effected.

APPRECIATION OF FLOATING ASSETS.

It has already been stated that under no circumstances should appreciation in the value of fixed assets be credited to Revenue, while appreciation in the value of floating assets should under normal circumstances not be taken credit for until actual realisation. There are, however, some important exceptions. Certain assets by their nature regularly and consistently increase in value in exactly the same way (and for the same reasons) that most assets decrease in value with equal regularity. Two examples under this heading will, it is thought, be sufficient. (1) *Reversions*, that is to say, an asset which represents the holder's title to receive a sum of money at some fixed or determinable future date. As the future date approaches, the present value of the reversion naturally increases, and, in the case of an undertaking whose regular business it is to purchase such assets, Revenue may properly be credited with the actual appreciation from time to time, provided a reasonable margin is reserved for contingencies. Life insurance policies may for this purpose be treated as reversions. (2) When the asset represents freehold or leasehold property, to the vacant possession of which the owner will be entitled at the expiration of an existing tenancy under which he receives a rent less than the true annual value of the property. Here the annual appreciation in value is income as much as the rent that is actually received; but unless a large number of similar properties are held, it is generally thought convenient to postpone taking credit for the amount of such increase until the expiration of the existing tenancy, when the capital value of the property might fairly be written up and Revenue be credited with the excess.

PROBLEM.—A capitalist purchases the freehold of a house of the annual value of £150, subject to a lease at £50 per annum, having unexpired term of five years. How much should he pay for the freehold in order to give him a return of 5 per cent. on his money, and what is the value of the property at the end of each successive year during the term of the lease?

What is actually purchased in this case is an immediate annuity of £50 per annum (which at 5 per cent. is worth £1,000) and a reversion to a further annuity in perpetuity of £100 per annum, commencing 5 years hence. The value of this reversion at 5 per cent. is £1,567,052; the total amount to be paid for the freehold would therefore be £2,567,052, say £2,567 1s.

The present value of the reversion of a perpetuity of £1, under the 5 per cent. Tables, is as follows:—

5 Years Deferred	..	..	..	..	£15 67052
4 ,, ,,	..	..	..	..	16·45405
3 ,, ,,	..	..	..	..	17·27675
2 ,, ,,	..	..	..	..	18·14059
1 ,, ,,	..	..	..	..	19·04762

At the end of the first year, therefore, the property may be written up to the value of a reversion deferred four years, at the end of the second year to the value of a reversion deferred three years, and so on. This gives the value of the freehold property as follows:—

At Date of Purchase..	£2,567·052
At End of First Year	2,645·405
" Second Year	2,727·675
" Third Year	2,814·059
" Fourth Year	2,904·762
" Fifth Year	3,000·000

NOTE.—The above calculation does not, of course, take into account whatever provision may be necessary for depreciation owing to the deterioration of the fabric of the buildings. This, however, is a separate question, and can only be determined after careful inquiry into the condition of the structure and the class of materials and workmanship employed in its erection.

SUMMARY.

To sum up the contents of this chapter it may be stated that "Capital Receipts" are sums contributed to an undertaking, and intended to be permanently left in that undertaking for the sake of enabling it to carry on its business. "Capital Expenditure" is that expenditure *bonâ fide* incurred for the sake of acquiring, extending, or completing the equipment of the undertaking, with a view to placing it upon a revenue-earning basis, or to improving its revenue-earning capacity. "Working Capital" is the excess of "Capital Receipts" over "Capital Expenditure." "Capital Expenditure" is represented by assets. "Fixed Assets" are those which form a part of the permanent equipment of the undertaking, which, as such, are not intended for realisation. "Floating Assets" are those assets which in the ordinary course of business are continually changing, and which are intended either for consumption in the ordinary process of manufacture or trading operations, or for sale, and such intermediate forms (Book Debts, Bills Receivable, &c.) as they may take in the process of conversion into cash. Cash and all forms of temporary investment are also included under this heading. "Revenue Receipts" are those which properly arise out of the business operations of the undertaking—*i.e.*, earnings. Unless the business is upon a cash basis there will, however, always be some discrepancy between the actual earnings and the receipts in respect thereof, and the proper item to credit to Revenue Account will be the true earnings for the period, rather than the actual receipts in cash. Revenue Expenditure consists of all those expenses incurred in connection with the earning of Revenue, including Depreciation of Fixed and Floating Assets. There will, however, always be a difference between Revenue Expenditure and payments on Revenue Account, for (disregarding the fact that such payments may be made in advance, or may be in arrear) there will often be no cash payments to represent provision for Depreciation, unless the whole of the provision that is necessary under this heading has been made by actual renewals or repairs during the period in question. If, however, a "Sinking Fund" is created to provide for the renewal of wasting assets, provision for Depreciation will be a cash payment.

PROBLEM.—Classify the debit and credit balances of the following undertakings under their proper headings of Capital and Revenue:—

(*a*) A Ship.

(*b*) A Gas Company.

(*c*) A Railway Company.

(*d*) A Colliery.

(*e*) An Ordinary Commercial Undertaking.

(*a*) A SHIP.

DEBIT BALANCES.

Capital Expenditure on Fixed Assets	Capital Expenditure on Floating Assets (deficiencies in which must be made good out of Revenue)	Revenue Expenditure
Cost of Ship Cost of Structural Improvements	Coals Stores Provisions, &c. Sundry Debtors Investments Cash	Wages Port Dues Insurance Repairs and Renewals Coals, Stores, and Provisions consumed (Depreciation) Interest Dividends to Proprietors

CREDIT BALANCES.

Receipts on Capital Account—Fixed Liabilities	Receipts on Capital Account—Floating Liabilities	Receipts on Revenue Account
Moneys received from Proprietors (including Premiums) Moneys received from Holders of Debenture Stock, Mortgages and Bonds	Outstanding Liabilities for Stores, &c., purchased, and Expenses incurred Undivided Profits Unallocated provision for Losses	Freights earned Passage-money earned Other Income

(*b*) A GAS COMPANY.

DEBIT BALANCES.

Capital Expenditure on Fixed Assets	Capital Expenditure on Floating Assets (deficiencies in which must be made good out of Revenue)	Revenue Expenditure
Lands secured Buildings, Plant, Machinery, &c. Mains, Meters, and Service Pipes Cost of promoting Special Acts	Coals Coke, Tar, and other Residual Products Sundry Stores Debtors for Gas and Residuals supplied, &c. Investments Cash	Coals and other Materials used in manufacture Wages incurred in manufacture and distribution of Gas, and lighting Repairs and Maintenance of Works, Plant, Mains, and Meters General Establishment Charges Law Costs Parliamentary Charges (Oppositions) Depreciation of Leaseholds Interest Bad Debts Dividends to Proprietors

CREDIT BALANCES.

Receipts on Capital Account—Fixed Liabilities	Receipts on Capital Account—Floating Liabilities	Receipts on Revenue Account
Moneys received from Proprietors (including Premiums) Moneys received from Holders of Debenture Stock, Mortgages, and Bonds	Debts due for Materials supplied and Expenses incurred Undivided Profits Unallocated Provision for Losses	Sale of Gas Rent of Meters Sale of Residual Products Rents Received Transfer Fees Other Income

(c) A RAILWAY COMPANY.

DEBIT BALANCES.

Capital Expenditure on Fixed Assets	Capital Expenditure on Floating Assets (deficiencies in which must be made good out of Revenue)	Revenue Expenditure
Expenditure on Lines open for Traffic Expenditure on Lines in course of Construction Expenditure on Rolling Stock Subscriptions to other Railways Expenditure on Docks, Steamboats, &c.	General Stores Accounts due from other Companies Accounts due from Clearing House Accounts due from Post Office Sundry Outstanding Accounts Investments Cash	Maintenance of Permanent Way, &c. Locomotive Power Carriage and Wagon Repairs Traffic Expenses General Charges Law Charges Preliminary Expenses Compensation Rates and Taxes Government Duty Interest on Borrowed Money Dividends to Proprietors

CREDIT BALANCES.

Receipts on Capital Account—Fixed Liabilities	Receipts on Capital Account—Floating Liabilities	Receipts on Revenue Account
Moneys received from Proprietors (including Premiums) Moneys received from Creditors on Fixed Loans or issue of Debenture Stock (including Premiums)	Debts due to other Companies Amount due to Clearing House Sundry Liabilities for Purchases and Expenditure Temporary Loans Lloyd's Bonds Insurance Funds Undivided Profits Unallocated Provision for Losses	Receipts from Passengers, Parcels, &c. Mails Merchandise Live Stock Minerals Rents Transfer Fees Dividends on Shares in other Companies

(d) A COLLIERY COMPANY.

DEBIT BALANCES.

Capital Expenditure on Fixed Assets	Capital Expenditure on Floating Assets (deficiencies in which must be made good out of Revenue)	Revenue Expenditure
Cost of acquiring Property, Buildings, Plant and Machinery Cost of developing and opening up Property	Stores Sundry Debtors Cash Overpaid Royalties	Stores Consumed Wages for getting and handling Coal Carriage Depreciation of Rolling Stock Interest (including that paid under Hire Purchase Agreements) Dividends to Proprietors

CREDIT BALANCES.

Receipts on Capital Account—Fixed Liabilities	Receipts on Capital Account—Floating Liabilities	Receipts on Revenue Account
Receipts from Shareholders, Debenture-holders, and Mortgagees (including Premiums)	Sundry Creditors for Goods supplied and Expenses incurred Undivided Profits Unallocated Provision for Losses	Sale of Coals Rents Transfer Fees Other Income

(e) A COMMERCIAL COMPANY.

DEBIT BALANCES.

Capital Expenditure on Fixed Assets	Capital Expenditure on Floating Assets (deficiencies in which must be made good out of Revenue)	Revenue Expenditure
Land and Buildings Plant and Machinery Fixtures, Fittings, and Furniture	Raw Materials Unfinished Goods Finished Goods Sundry Debtors Investments Cash	Raw Materials Consumed Expenses of Manufacture (including Wages) Expenses of Distribution (including Wages) Rent, Rates, and Taxes General Establishment Charges Depreciation Interest and Discount Dividends to Proprietors

CREDIT BALANCES.

Receipts on Capital Account—Fixed Liabilities	Receipts on Capital Account—Floating Liabilities	Receipts on Revenue Account
Receipts from Proprietors, Debenture-holders, and Mortgagees Premiums on issue of Shares or Debentures	Outstanding Creditors Unallocated Provision for Losses Undivided Profits	Sale of Goods Discounts Transfer Fees Miscellaneous Receipts

CHAPTER III.

THE ORGANISATION OF ACCOUNTS.

UNDER this heading may be included those arrangements which are designed to, as far as possible, ensure the accuracy and regularity of accounts in all respects. A system of accounts may be well designed to meet the requirements of any particular undertaking, and may yet fail to achieve its purpose through slackness on the part of those on whom the duty of supervision devolves. This failure may arise from the work being allowed to get into arrear, or through errors (whether inadvertent or fraudulent) being allowed to arise. Whatever the exact cause may be, the result will as a rule be the same—a loss will be experienced, and in addition the reputation of the business may suffer. The subject is therefore one of very considerable importance to all who are interested in accounts.

The designing of a proper system of accounts is, from one point of view, a purely theoretical matter: the practical adaptation of that system to the record of the transactions of the undertaking, and its adaptation upon regular and systematic lines, with a view to avoiding irregularities and losses of all kinds, comes under the heading of "Organisation" —an essentially practical matter, which has now to be dealt with.

It goes without saying that, however much trouble may be taken by those responsible for the record of business transactions, errors will occasionally arise. The object of a proper system of organisation is to detect these errors at the earliest possible moment, thus reducing to a minimum the inconvenience or loss that they might occasion. Shortly stated, the only means of detecting errors of any kind is by careful checking, and a proper system of organisation will always provide for the checking of every item of work in connection with accounting, and particularly in connection with Invoices, Statements of Account, Returns, and the like, which are issued to third parties.

AUDITS, PROFESSIONAL AND "STAFF."

All such checking as that just described may, from one point of view, be regarded as auditing. Save in the case of the smallest undertakings, a distinction may very properly be made between that portion of the work upon which it is desirable to employ skilled accountants who are entirely independent of the administrative staff, and that part which (under suitable supervision) may be equally well performed by the staff itself. Many items may, in point of fact, be better checked by the staff than by independent Auditors, on account of the greater familiarity of the former with the actual facts involved. At the same time, if the system of check is to be complete, it is important that there should be a clear understanding as to what work is to be performed by each, and this is best accomplished by allowing the outside Auditor to organise the whole system of internal check. This is the more desirable, in that the experience of the Auditor will enable him to organise such a system more effectively than could be reasonably expected on the part of one who has received no special training in that direction; but, the system once organised, the duty of seeing that it is actually carried out, in precisely the same manner as was originally designed, may to a large extent be left to

the chief of the counting-house, provided he is not also the chief cashier.

From some points of view the matters dealt with in this chapter are intimately connected with those discussed in Chapter XVII., which deals with various classes of fraud, and the methods to be adopted for their prevention and detection. In the majority of cases where fraud has occurred, the attempt will have been made to conceal it by means of false entries, and it should be the aim of every system of internal check, or audit, to detect these falsifications at the earliest possible moment. So long, however, as this point is clearly understood, the two matters may, it is thought, be most conveniently dealt with separately.

The general aim of every system of internal check is to provide for the detection of all errors in accounts, of whatsoever description, and the best means of doing so is to make at least two persons responsible for every entry that occurs, and also for the proper record of every transaction that has taken place. In order not to make undue demands upon the time of more important persons, the system must be so arranged that relatively unimportant matters are checked in detail by those occupying a comparatively subordinate position; and, in order that the work when so arranged may be properly performed, it is important not merely that some responsible person should supervise it, and see that every detail of the system is duly carried out by the prescribed persons, but also that the duties of the various persons concerned be changed about from time to time. This latter is especially important as a safeguard against collusion. In the case of comparatively small undertakings it is sometimes difficult to arrange matters upon this footing, on account of the smallness of the staff, or of that portion of the staff which can be relied upon for purposes of internal check. In such cases, however, it is usually practicable for the principal himself to do something in the direction indicated. If a proper system be formulated, this might readily be done without making undue claims upon the principal's time, and the professional audit may be so arranged as to cover the whole scheme of internal check in general terms, and to supply in detail those parts which are lacking in the staff audit. The exact point where the staff audit should leave off and the professional audit commence can only be indicated in general terms, as the matter is to a large extent one of expediency. The professional audit must in all cases be sufficiently full to enable the Auditor to satisfy himself not merely of the general correctness of the accounts, but also of their correctness in detail; but so long as it is sufficiently full to ensure this object, the balance of advantage lies in throwing as much responsibility as possible upon the staff audit, because (for the reasons already stated) those who are actually in touch with the transactions engaged upon are better capable of verifying the detailed records than those whose only knowledge of the transactions is such as may be gained from the records themselves.

PRO FORMÂ RULES.

The following is a short, and necessarily incomplete, summary of the various matters that should ordinarily be provided for when organising a set of accounts and designing a system of internal check with regard thereto. Naturally, however, it will in many cases require elaboration at one point or another.

(1) All cash received to be paid into the bank daily, a full record being kept of who is responsible for the handling of the same.

(2) No one having the handling of money should have the control of any books of account other than the corresponding Cash Book. (If practicable, the cashier should not even write up the Cash Book.)

(3) All payments, other than Petty Cash payments, to be made by cheque.

(4) The Petty Cash Book should be kept on the "Imprest" system, under the supervision of the chief cashier.

(5) No person entrusted with the receipt of moneys should be authorised to make any payments out of the moneys so received by him.

(6) Counterfoil (or "Manifold") Receipt Books should be used to acknowledge all moneys received.

(7) Proper vouchers should be obtained for all payments made. It is *not* desirable that these should be upon a uniform form supplied to the payers.

(8) All cash balances should be regularly and systematically verified daily, and a permanent record kept of the daily balances. The balance of every Bank Account should be verified at least once a week.

(9) All Ledgers should be rendered "self-balancing," and their balance frequently tested by someone in authority. The detailed postings should be checked by someone independent of the Ledger-keeper. Trade Ledgers should be balanced at least once a month, and other Ledgers at least once a quarter.

(10) Adequate systems of Stock Accounts and Cost Accounts should be provided.

(11) A proper system should be instituted of checking all invoices for goods received by several independent persons, and it should be rigorously carried out.

(12) In the same way adequate safeguards should be taken to ensure that no goods leave the premises without being first charged up as Sales.

(13) Similar precautions should be taken with regard to the Returns and Allowances, both inwards and outwards.

(14) All trade payments should—before being made—be systematically checked, and passed by several independent persons.

(15) There should be a constant supervision of the Book Debts, and especially of those overdue, in order to ensure that no losses are incurred through carelessness or dishonesty.

(16) In order to as far as possible guard against this, every time the Sold Ledgers are balanced a verified list of all accounts more than a certain number of days overdue should be submitted to the chief of the counting-house, and by him to one of the principals for further instructions.

(17) Special precautions should be taken with regard to all payments made by cash (*e.g.*, Wages), with a view to ensuring the accuracy with which the lists of amounts due have been compiled. Several different persons should be made individually responsible for *each* part of the work.

CONCLUSION.

It is, perhaps, desirable to again repeat that no system of organisation can be really effective which does not, in addition to making two persons responsible for everything, so systematise matters as to make it impossible for any member of the staff to make any entries whatever in the books which are not, for the time being, in his keeping. If mistakes and frauds are to be avoided, it is important that there should be no doubt as to who is responsible for the entries appearing from time to time in each book, and also as to who is responsible for the checking of those entries and the seeing that they completely record the transactions. If these very useful precautions be neglected there is practically nothing to prevent either inadvertent or fraudulent mistakes from remaining undetected. Further information upon this interesting subject will be found in "Office Organisation," by the present author and Mr. H. E. Blain (Pitman, price 5s.).

CHAPTER IV.

METHODS OF BALANCING.

IT is assumed that the reader is fully acquainted with the general principles of double-entry bookkeeping, and the manner in which the accuracy of the Ledger postings may be tested by the agreement of the Trial Balance. It is, however, desirable to discuss the various methods by which the balancing of a large set of books may be simplified, and also the means by which a set of books that have not been completely kept by double-entry may be balanced.

"SELF-BALANCING" LEDGERS.

Where the business is sufficiently large to render the employment of more than one Ledger desirable, it is very convenient to be possessed of some means of balancing each Ledger independently of the rest. This is desirable for two reasons: (1) Trade Ledgers should be balanced at frequent intervals so that any mistakes that have occurred may be speedily rectified, while it is not usually convenient that the whole set of Ledgers should be balanced so often. (2) In the event of the Trial Balance of the books as a whole not agreeing, it is a great saving of time to be able to *localise* the error in one particular Ledger, and so confine further investigation to that point.

The general principle of "Self-Balancing" Ledgers cannot be said to form part of "advanced" bookkeeping, and as, moreover, it has been fully described in the author's "Bookkeeping for Accountant Students," it is not now proposed to go over the same ground again; suffice it to say that in order to make each Ledger self-balancing it must be made to contain within itself a twofold record of every transaction that it covers. This, of course, involves posting to each separate Ledger numerous items which, although necessary to complete the double-entry there, would not be included in that Ledger unless it *were* desired to render it self-balancing. All these additional items are (so far as possible) condensed into totals to save labour, and—having been so condensed—are posted to one general account, called the "Adjustment Account."

Where, however, there are two, or more, Ledgers, it is desirable that one of the series should contain the "key" to all the rest. It is usual to select for this purpose a Ledger kept by one of the most responsible employees—*i.e.*, either the Private Ledger or the Nominal Ledger. In this Ledger, instead of having only *one* Adjustment Account to complete the double-entry of that Ledger, a separate Adjustment Account is opened in respect of *every* other Ledger. The particular Adjustment Account selected for the posting of what may be termed the "redundant entries" being in each case the one relating to the Ledger which contains in detail the *other half* of the transaction. For example, assuming the Nominal Ledger is the one containing all the "keys," Purchases are posted to the debit of this Ledger, which—unless it be self-balancing—contains no corresponding credit: to render it self-balancing the monthly totals of the Purchases are posted to the credit of an Adjustment Account, and the "Bought Ledger Adjustment Account" is selected for that purpose because the contra entry to the Purchases is posted in detail to the credit of the Bought Ledger. If there were two or more Bought Ledgers, a separate Adjustment Account would be opened in the Nominal

Ledger for each. There would, however, be no difficulty in ascertaining how much of the total purchases had been posted in detail to each separate Bought Ledger Adjustment Account, as each would have its own Bought Book, or, at all events, separate columns in the Bought Book would be appropriated to each.

The following example will suffice to clear up any doubts as to the precise application of the principles already described.

PROBLEM.—The following Balance Sheet and Profit and Loss Account have been prepared from the books of the British Motor Car Company, Limited. These books included Bought, Sold, and Private Ledgers, each of which was "self-balancing." Show the Trial Balance of each separate Ledger as it would have appeared in the books before any provision had been made for Bad and Doubtful Debts or Depreciation:—

BALANCE SHEET, 31st December 1906.

Liabilities.	£ s d	£ s d	*Assets.*	£ s d	£ s d
Capital Account, 100,000 Shares of £1 each	100,000 0 0		Building, Plant, Machinery, &c.	60,000 0 0	
Less Calls in Arrear	462 0 0	99,538 0 0	*Less* Depreciation	1,200 0 0	58,800 0 0
Trade Creditors, viz.:—A.	540 0 0		Stock-in-Trade		45,645 0 0
B.	50 0 0		Debtors, viz.:—G.	47 10 0	
C.	75 0 0		H.	12 0 0	
D.	920 0 0		I.	160 10 0	
E.	55 0 0		J.	21 0 0	
F.	62 0 0	1,702 0 0	K.	110 0 0	
				351 0 0	
Profit and Loss Account:—			*Less* Provision for Bad and Doubtful Debts	36 0 0	315 0 0
Balance from 1905	796 0 0				
Net Profit for 1906	17,264 0 0	18,060 0 0	Cash		14,540 0 0
		£119,300 0 0			£119,300 0 0

Dr. PROFIT AND LOSS ACCOUNT for the year ended 31st December 1906. *Cr.*

To Rent, Salaries, and General Expenses	£2,500	By Gross Profit as per Trading Account	£22,000
,, Directors' Fees	1,000		
,, Depreciation	1,200		
,, Bad Debts	36		
,, Balance, being Net Profit	17,264		
	£22,000		£22,000

THE BRITISH MOTOR CAR COMPANY, LIM.

Bought Ledger Trial Balance, 31st December 1906.

	Dr. £ s d	Cr. £ s d
A.		540 0 0
B.		50 0 0
C.		75 0 0
D.		920 0 0
E.		55 0 0
F.		62 0 0
Private Ledger Adjustment Account	1,702 0 0	
	£1,702 0 0	£1,702 0 0

THE BRITISH MOTOR CAR COMPANY, LIM.

Sold Ledger Trial Balance, 31st December 1906.

	Dr. £ s d	Cr. £ s d
G.	47 10 0	
H.	12 0 0	
I.	160 10 0	
J.	21 0 0	
K.	110 0 0	
Private Ledger Adjustment Account		351 0 0
	£351 0 0	£351 0 0

THE BRITISH MOTOR CAR COMPANY, LIM.

Private Ledger Trial Balance, 31st December 1906.

	Dr. £	s	d	Cr. £	s	d
Share Capital Account				100,000	0	0
Sundry Shareholders	462	0	0			
Bought Ledger Adjustment Account ..				1,702	0	0
Sold Ledger Adjustment Account ..	351	0	0			
Buildings, Plant, Machinery, &c. ..	60,000	0	0			
Stock-in-trade	45,645	0	0			
Cash	14,540	0	0			
Rent, Salaries, and General Expenses..	2,500	0	0			
Directors' Fees	1,000	0	0			
Trading Account				22,000	0	0
Profit and Loss Account				796	0	0
	£124,498	0	0	£124,498	0	0

THE "CONSTRUCTION" OF ADJUSTMENT ACCOUNTS.

In practice it frequently happens that it is desired to balance the various Ledgers separately, although the system of accounts has not anticipated this contingency, and no Adjustment Accounts have been provided. What has to be done in such a case is to *construct* Adjustment Accounts from the materials available. Supposing, for instance, it is desired to balance the Sold Ledger separately, and no Sold Ledger Adjustment Account exists, the procedure will be upon the following lines:—

The entries in the Sold Ledger will come under the following headings:—(1) Opening Balances, (2) Sales, (3) Sales Returns, (4) Cash, (5) Closing Balances, and probably some (or all) of the following:—(6) Interest, (7) Discount, (8) Bad Debts, (9) Bills Receivable, (10) Bills Dishonoured, (11) Transfers to other Ledgers. The Opening Balances are probably known from schedules already in existence; if not, they must be carefully extracted, and a schedule prepared showing the total balances standing in the Ledger at the commencement of the current period. The total Sales can be readily arrived at from the Day Book, and the Sales Returns from the Returns Book. The Cash will be found upon the debit side of the Cash Book: if a separate Sold Ledger Cash Book exists (or there is a separate column for Sold Ledger items in the General Cash Book) this total can be readily arrived at; but, if not, the Cash received must be analysed. The Discount will probably be the total of the "Discount" column on the debit side of the Cash Book, but care must be taken to see that no extraneous item has been included. The Bills Receivable will be the total of the Bills Receivable Book for the current period. The only items that remain to be considered are Bad Debts and Interest. These can be best arrived at by referring to the corresponding accounts in the Nominal Ledger, which will readily show the amount of Bad Debts written off and the amount of Interest charged to customers during the current period. These various figures can then be put together in the form of an Adjustment Account, and the balance shown by such an account should, of course, agree with the total of the Sold Ledger balances at the close of the period.

EXAMPLE:

Dr. SOLD LEDGER ADJUSTMENT ACCOUNT. *Cr.*

	£	s	d		£	s	d
To Balances standing at commencement of current period, as per Schedule				By Cash received, as per analysis of Cash Book			
„ Sales, as per Day Book Totals				„ Discounts allowed, as per Cash Book.. ..			
„ Bills returned, as per analysis of Bills Received Account				„ Returns, as per Returns Book			
„ Interest, as per Interest Account				„ Bills receivable, as per Bills Received Book..			
„ Transfers from other Ledgers				„ Transfers to other Ledgers			
„ Difference in Books (if any)				„ Bad Debts, as per Bad Debts Account ..			
				„ Difference in Books (if any)			
				„ Balances standing at close of current period, as per Schedule			
	£				£		

BALANCING SINGLE-ENTRY BOOKS.

In many cases the same course can with advantage be pursued, even in connection with Ledgers that have only been kept by single entry; but in some cases it will be found to be impracticable, as, for instance, when the Bought Ledger has been posted up direct from invoices, which are either filed away or pasted into a Guard Book in such a manner that it is practically impossible to add them. In such cases the best course to pursue is to call back the postings *from* the Ledger into the various subsidiary books so far as they go. If the cash be called back into the Cash Book before the Private and Nominal Ledgers have been checked, it becomes a comparatively simple matter to extract from the Cash Book the total of the Bought Ledger Cash, for all that has to be done is to extract from the Cash Book the items upon the credit side that have been ticked off against the Bought Ledger. The Bills Payable and Discounts can be ticked off in the same manner, and there will still remain unticked in the Bought Ledger the Purchases and Purchase Returns. It is then necessary to go through the Bought Ledger, page by page, and extract therefrom all the items that have not been ticked. Probably the only unticked items on the debit side will be Returns, and the only unticked items upon the credit side Purchases; but care must be taken to separate any special items, so that they may be taken out in a separate total. This last remark applies especially to transfers from (or to) other Ledgers, seeing that these figures will also be required to assist in the balancing of those other Ledgers.

TABULATING THE LEDGERS.

When the number of accounts in any Ledger is not very great, but the postings to the Ledgers include a number of different classes of items, it is sometimes more convenient to go straight through the Ledger and "tabulate" all the entries appearing upon each account. The following example clearly illustrates what is meant in this connection. Care must, however, be taken to see that the totals of the various analytical columns agree with the corresponding totals of "Goods," "Cash," "Discount," &c., as otherwise, although the Ledger may itself balance, it cannot be grafted upon the other Ledgers so as to enable them to balance as a whole.

PROBLEM.—Given a set of books kept by single-entry, with instructions to prove their accuracy by double-entry (but not by creating a new set of books), how would you proceed? Deal in the manner you suggest with the following accounts:—

Dr. JOHN SMITH. *Cr.*

1900			£	s	d	1900			£	s	d
Nov. 1.	To Balance	.. .. ..	7	10	0	Nov. 16.	By Cheque	.. .. ..	17	0	0
,, 10.	,, Goods	.. .. ..	10	0	0	,, 16.	,, Allowance to Returns	.. ..	2	0	0
,, 11.	,, Carriage	.. .. ..	1	10	0	,, 30.	,, Goods	.. .. ..	25	0	0
,, 30.	,, Bill ..	.. .. ..	20	0	0						

Dr. PETER BROWN. *Cr.*

			£	s	d				£	s	d
Nov.	2.	To Cheque	3	0	0	Nov.	1.	By Balance	13	0	0
,,	7.	,, do.	5	0	0						
,,	1.	,, Returns	6	0	0						

Dr. THOMAS JONES. *Cr.*

			£	s	d				£	s	d
Nov.	10.	To Goods	5	0	0	Nov.	11.	By Cheque	5	0	0
,,	12.	,, Cheque Returned	5	0	0						
,,	14.	,, Charges	1	1	0						

Dr. MATTHEW SMITH. *Cr.*

			£	s	d				£	s	d
Nov.	1.	To Balance	60	0	0	Nov.	29.	By Acceptance	150	0	0
,,	10.	,, Goods	30	10	0						
,,	10.	,, Carriage	1	10	0						
,,	29.	,, Cheque	60	0	0						

Dr. GEORGE ROBINSON. *Cr.*

			£	s	d				£	s	d
Nov.	6.	To Cheque	45	0	0	Nov.	1.	By Balance	90	0	0
,,	8.	,, Charges	4	10	0						
,,	15.	,, Cheque	30	0	0						
,,	20.	,, Goods	100	0	0						

Dr. ARTHUR SHAW. *Cr.*

			£	s	d				£	s	d
Nov.	10.	To Goods	70	0	0	Nov.	16.	By Returns	22	0	0
,,	10.	,, Carriage	7	0	0	,,	16.	,, Allowance	10	0	0
,,	10.	,, Charges	2	0	0	,,	30.	,, Cheque	47	0	0

The Ledger Accounts should be "tabulated" as follows:—

Dr.										*Cr.*						
Balance 1/11/00	Goods	Carriage	Bills	Cash	Returns & Allowances	Charges	Balance (Cr.) 30/11/00	Total	Name	Balance 1/11/00	Cash	Returns & Allowances	Goods	Bills	Balance (Dr.) 30/11/00	Total
£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d		£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d
7 10 0	10 0 0	1 10 0	20 0 0	..	..	..	5 0 0	44 0 0	J. Smith	..	17 0 0	2 0 0	25 0 0	..	..	44 0 0
..	..	..	..	8 0 0	6 0 0	..	..	14 0 0	P. Brown	13 0 0	..	..	..	..	1 0 0	14 0 0
..	5 0 0	..	..	5 0 0	..	1 1 0	..	11 1 0	T. Jones	..	5 0 0	..	..	..	6 1 0	11 1 0
60 0 0	30 10 0	1 10 0	..	60 0 0	..	..	..	152 0 0	M. Smith	..	..	..	..	150 0 0	2 0 0	152 0 0
..	100 0 0	..	..	75 0 0	..	4 10 0	..	179 10 0	G Robinson..	90 0 0	..	..	..	..	89 10 0	179 10 0
..	70 0 0	7 0 0	..	..	..	2 0 0	..	79 0 0	A. Shaw	..	47 0 0	32 0 0	..	..	..	79 0 0
£67 10 0	£215 10 0	£10 0 0	£20 0 0	£148 0 0	£6 0 0	£7 11 0	£5 0 0	£479 11 0		£103 0 0	£69 0 0	£34 0 0	£25 0 0	£150 0 0	£98 11 0	£479 11 0

PROFIT AND LOSS ACCOUNTS BY SINGLE-ENTRY.

Occasionally it happens that it is desired to compile an account in the form of a Trading and Profit and Loss Account, while (on account of the great expense and trouble involved) it is deemed inexpedient to balance the books by double-entry in the manner explained in the preceding paragraphs. Such a state of affairs often arises in connection with appeals against assessments for Income Tax, when the Commissioners require a Profit and Loss Account to be produced. But the system now about to be explained cannot be recommended for any other purpose, inasmuch as although it shows results in the *form* of a Profit and Loss Account, the account when prepared is—unlike Profit and Loss Accounts compiled by double-entry—no check whatever upon the accuracy of the bookkeeping.

Shortly stated, the system consists of analysing the cash into Cash Received from Customers, Cash Paid for Goods, Business Expenditure under various convenient headings, and other special items, so that the analysis as a whole may be absolutely agreed with the Cash Book. Stock must, of course, be taken at the commencement and end of the period, or if the Opening Stock is unknown it must be estimated upon the best available basis, and the accuracy of the resulting account will be entirely dependent upon the accuracy of this estimate. Assuming, however, that the opening and closing Stocks are known, the Sales are arrived at by adding to the Cash received from customers the closing Sold Ledger Balances and deducting the opening Sold Ledger Balances; the figure of Purchases is obtained by adding the closing Bought Ledger Balances to the Cash paid for goods, and deducting therefrom the opening Bought Ledger Balances; while in the same manner the various items of Business Expenditure are adjusted by outstandings at the opening and close of the period, so as to obtain the Expenditure incurred during the current period, whether actually paid or not. These figures being arrived at, they are put together in the form of a Profit and Loss Account in the usual way.

The following example gives such a "constructed" Trading and Profit and Loss Account in tabular form. It need hardly be stated, however, that only the right-hand column upon each side would be submitted to the Income Tax Commissioners.

EXAMPLE:

Dr. TRADING AND PROFIT AND LOSS ACCOUNT, for the Year ended 31st December 1906. *Cr.*

	Cash paid during 1906.	Out-standing 31 Dec. 1906	Total	Out-standing 1 Jan. 1906	Net Total		Cash Received during 1906.	Out-standing 31 Dec. 1906.	Total.	Out-standing 1 Jan. 1906	Net Total
	£ s d	£ s d	£ s d	£ s d	£ s d		£ s d	£ s d	£ s d	£ s d	£ s d
To Stock 1/1/06 ..	..	..	..	..	8,000 0 0	By Sales .. ..*	21,000 0 0	3,885 0 0	24,885 0 0	4,885 0 0	20,000 0 0
" Purchases ..	9,300 0 0	7,000 0 0	16,300 0 0	6 800 0 0	9,500 0 0	" Stock, 31/12/06	..	..	..		8,550 0 0
" Wages	6,070 0 0	150 0 0	6,220 0 0	120 0 0	6,100 0 0						
" Carriage and Freight ..	1,170 0 0	180 0 0	1,350 0 0	150 0 0	1,200 0 0						
" Gross Profit ..	..	..	..	..	3,750 0 0						
					£ 28,550 0 0						£ 28,550 0 0
To Rent, &c. ..	300 0 0	75 0 0	375 0 0	75 0 0	300 0 0	By Gross Profit ..	..	..	..	..	3,750 0 0
" Travelling Expenses ..	450 0 0	..	450 0 0	..	450 0 0						
" Trade Expenses	480 0 0	50 0 0	530 0 0	30 0 0	500 0 0						
" Discounts ..*	255 0 0	122 0 0	377 0 0	97 0 0	280 0 0						
" Bad Debts ..*	200 0 0	..	..	..	200 0 0						
" Net Profit ..	..	..	..	..	2,020 0 0						
£	18,225 0 0			£	3,750 0 0	£	21,000 0 0			£	3,750 0 0

Dr. CASH ANALYSIS. *Cr.*

	£ s d		£ s d
To Balance, 1 January 1906 ..	1,225 0 0	By Payments for Goods ..	9,300 0 0
" Receipts from Customers ..	20,545 0 0	" " Wages	6,070 0 0
		" " Carriage	1,170 0 0
		" " Rent	300 0 0
		" " Travelling Expenses ..	450 0 0
		" " Trade Expenses	480 0 0
		" Drawings	2,400 0 0
		" Balance, 31 December 1906	1,600 0 0
	£21,770 0 0		£21,770 0 0

* *NOTE:—The Discounts allowed and Bad Debts written off must be added to the cash actually received (£20,545), so as to arrive at the total amount by which the debits to the Sold Ledger have been reduced during the year.*

CHAPTER V.

BRANCH ACCOUNTS, ETC.

THE system of rendering each separate Ledger of a set of books "self-balancing" by means of Adjustment Accounts is, it will be remembered, that each Self-balancing Ledger completes the double entry of every transaction therein recorded, and so contains within itself all the materials for an independent Trial Balance of its own. The sub-division of the Ledger is in all cases dictated by convenience; but, as has already been said under the head of "balancing," the division ordinarily follows some classification of the nature of the transactions. Where, however, a business is carried on in two or more departments it is sometimes found convenient to make a sub-division according to these departments, so that the Ledgers might be divided into "Head Office," "Department A," "Department B," &c., instead of into the more general divisions of "Private Ledger," "Sold Ledger," "Bought Ledger," &c. It will be readily perceived, however, that whatever the system of dividing up the transactions may be, it is still quite easy to make each Ledger self-balancing by means of Adjustment Accounts.

BRANCH ACCOUNTS.

It therefore follows that if an undertaking has a Branch away from the Head Office, and yet the whole of the bookkeeping is done *at* the Head Office, there is no difficulty in keeping all the transactions of the Branch in a separate Ledger at the Head Office, in making that separate Ledger self-balancing, and in incorporating the results of the Branch into the accounts periodically prepared in connection with the undertaking as a whole. This point being grasped, it will be seen that it is really quite immaterial *where* the Branch Ledger, and its various subsidiary books, are kept. These Branch books might just as well be kept at the Branch itself, if such a course were more convenient, and it makes no difference whatever to the system of bookkeeping where the books of the Branch (or, for that matter, of any Branch) are kept. They all form part of *one system* of bookkeeping, and by means of the Adjustment Accounts work into the Head Office books, just as though all the Ledgers were kept at the Head Office.

When the Ledgers are kept at the Branches, it is, however, usual for the Adjustment Account in the Branch Ledger to be called "Head Office Account," and for the various Adjustment Accounts in the Head Office books to be identified with the various Branches. But this is only a variation of name, and involves no new principle. Another variation that frequently occurs, which also is dictated solely by convenience, is that remittances passing from the Head Office to the Branch, and from the Branch to the Head Office, are generally posted in both Ledgers to a separate Remittance Account, instead of being posted direct to the Adjustment Account, so that no entries whatever take place in the Adjustment Account except when the books are periodically balanced and closed. This last-named modification is by no means always observed, but it will be found particularly convenient when dealing with foreign branches where questions of exchange arise.

The following example, which deals (in totals) with the transactions for six months of an undertaking carrying on business at three Branches, while the main accounts are kept at the Head Office, further illustrates the principle already described.

PROBLEM.—The Wholesale Provision Company has a number of Retail Branches which are supplied from the Depôt, but they keep their own Sales Ledgers, receive Cash against Ledger Accounts, and pay in the whole of their Cash every day to Head Office. They send out their own Statements of Accounts monthly. All Wages and Branch Expenses are drawn by cheque from Head Office on the imprest system.

From the following particulars, supplied by each Branch, show the Branch Accounts in the Head Office Books, and then incorporate the whole into one General Trial Balance and Profit and Loss Account.

	A.	B.	C.
	£	£	£
Six Months' Sales to 30th June 1901	2,700	2,600	2,300
Return Inwards	20	24	16
Allowance to Customers	5	4	6
Cash Received on Ledger Accounts	2,380	2,400	2,000
R. M. Sales	1,420	1,250	1,300
Stock at commencement	540	480	500
Stock at end	620	580	480
Debtors, January 1st 1901	1,250	1,200	1,100
Debtors, June 30th 1901	1,530	1,362	1,378
Bad Debts	15	10	—
Goods received from Depôt, less Returns	2,120	2,060	2,000
Rent and Taxes paid	80	70	75
Wages and Sundry Expenses	380	356	350

ACCOUNTS IN HEAD OFFICE BOOKS.

"A." BRANCH ACCOUNT.

Dr. | *Cr.*

		£ s d	£ s d			£ s d	£ s d
1901 Jan. 1	To Balance, viz.:— Debtors	1,250 0 0		1901 June 30	By Cash—Ledger Accounts		2,380 0 0
	Stock	540 0 0	1,790 0 0	"	" " R.M.S.		1,420 0 0
June 30	" Goods		2,120 0 0	"	" Balance down, viz.:— Debtors	1,530 0 0	
"	" Cash—Rates		80 0 0		Stock	620 0 0	2,150 0 0
"	" Do. Wages		380 0 0				
"	" Profit transferred to Profit and Loss Account		1,580 0 0				
			£5,950 0 0				£5,950 0 0
July 1	To Balance down, viz.:— Debtors	1,530 0 0					
	Stock	620 0 0	2,150 0 0				

"B." BRANCH ACCOUNT.

Dr. | *Cr.*

		£ s d	£ s d			£ s d	£ s d
1901 Jan. 1	To Balance, viz.:— Debtors	1,200 0 0		1901 June 30	By Cash—Ledger Accounts		2,400 0 0
	Stock	480 0 0	1,680 0 0	"	" " R.M.S.		1,250 0 0
June 30	" Goods		2,060 0 0	"	" Balance down, viz.:— Debtors	1,362 0 0	
"	" Cash—Rates		70 0 0		Stock	580 0 0	1,942 0 0
"	" Do. Wages		356 0 0				
"	" Profit transferred to Profit and Loss Account		1,426 0 0				
			£5,592 0 0				£5,592 0 0
July 1	To Balance down, viz.:— Debtors	1,362 0 0					
	Stock	580 0 0	1,942 0 0				

Dr. "C." BRANCH ACCOUNT. *Cr.*

		£ s d	£ s d			£ s d	£ s d
1901 Jan. 1	To Balance, viz.:—			1901 June 30	By Cash—Ledger Accounts ..	..	2,000 0 0
	Debtors	1,100 0 0		"	" " R. M. S.	..	1,300 0 0
	Stock	500 0 0		"	" Balance down, viz.:—		
			1,600 0 0		Debtors..	1,378 0 0	
June 30	" Goods	..	2,000 0 0		Stock	480 0 0	
"	" Cash—Rates	..	75 0 0				1,858 0 0
"	" Do. Wages	..	350 0 0				
"	" Profit transferred to Profit and Loss Account	..	1,133 0 0				
			£5,158 0 0				£5,158 0 0
July 1	To Balance down, viz.:—						
	Debtors	1,378 0 0					
	Stock	480 0 0					
			1,158 0 0				

Dr. CAPITAL ACCOUNT. *Cr.*

		£ s d	£ s d			£ s d	£ s d
				1901 Jan. 1	By Balance, made up as follows:-		
					A. Branch	1,790 0 0	
					B. "	1,680 0 0	
					C. "	1,600 0 0	
					Stock at Head Office ..	6,180 0 0	
							11,250 0 0

Dr. CASH ACCOUNT. *Cr.*

		£ s d	£ s d			£ s d	£ s d
1901 June 30	To A. Branch—Ledger Accounts..	2,380 0 0		1901 June 30	By A. Branch—Rates	80 0 0	
"	" " " R. M Sales ..	1,420 0 0		"	" B. " "	70 0 0	
			3,800 0 0	"	" C. " "	75 0 0	
"	" B. " Ledger Accounts..	2,400 0 0					225 0 0
"	" " " R. M. Sales ..	1,250 0 0		"	" A. " Wages	380 0 0	
			3,650 0 0	"	" B. " "	356 0 0	
"	" C. " Ledger Accounts..	2,000 0 0		"	" C. " "	350 0 0	
"	" " " R. M. Sales ..	1,300 0 0					1,086 0 0
			3,300 0 0	"	" Balance down	..	9,439 0 0
			£10,750 0 0				£10,750 0 0
July 1	To Balance down	..	9,439 0 0				

Dr. GOODS ACCOUNT. *Cr.*

		£ s d	£ s d			£ s d	£ s d
1901 Jan. 1	To Stock, Balance on hand ..	..	6,180 0 0	1901 June 30	By A. Branch	..	2,120 0 0
				"	" B. "	..	2,060 0 0
				"	" C. "	..	2,000 0 0
			£6,180 0 0				£6,180 0 0

Dr. PROFIT AND LOSS ACCOUNT. *Cr.*

	£ s d	£ s d		£ s d	£ s d
			By Transfer from Branch A. ..	1,580 0 0	
			" " " " B. ..	1,426 0 0	
			" " " " C. ..	1,133 0 0	
					4,139 0 0

TRIAL BALANCE, 30th June 1901.

	Dr. £ s d	*Cr.* £ s d
Branch A.	2,150 0 0	
" B.	1,942 0 0	
" C.	1,858 0 0	
Cash	9,439 0 0	
Capital	..	11,250 0 0
Profit and Loss Account	..	4,139 0 0
	£15,389 0 0	£15,389 0 0

NOTES.—(1) *For the sake of simplicity Head Office Transactions have been excluded, so far as is possible consistently with completing the double-entry record.*

(2) *An alternative—and in many respects better—method is shown on pp.* 29 *to* 31.

A more elaborate example, showing how the accounts of the Head Office, a Factory, and two Trading Branches may be combined, is instanced by the following example, at the foot of which appears the amalgamated Balance Sheet and the Profit and Loss Account in the form in which they would probably be presented to shareholders.

PROBLEM.—The X. Y. Z. Manufacturing Company, Limited, has a share capital of £75,000 in 7,500 shares of £10 each, all issued and fully paid. It manufactures goods for sale at its two Branche (here referred to as A. and B. respectively), which sell goods of the Company's manufacture only. From the annexed Trial Balance of the books at the Head Office (where the private or general books are kept) and at the Factory and Branches, construct an account to show respectively the result of the manufacturing and the gross profit at each Branch, also a Balance Sheet.

The Stocks on the 31st December 1898 were:—

	£ s d
Factory	9,177 5 7
Branch A.	4,590 3 8
" B.	1,922 5 5

Allow Depreciation for one year to 31st December 1898 on the following items of the 1st January 1898 at the rates indicated:—

Factory Machinery, &c.	10 per cent.
Branch Fixtures, &c.	5 "

(No depreciation to be written off Head Office Furniture, &c.)

THE X. Y. Z. MANUFACTURING COMPANY, LIMITED.—TRIAL BALANCE, 31st December 1898.

Dr.	Head Office. £ s d	Factory. £ s d	Branch A. £ s d	Branch B. £ s d
Freehold Premises—				
Factory	50,000 0 0			
Branch A.	10,000 0 0			
„ B.	10,000 0 0			
Goodwill	30,000 0 0			
Machinery, Fixtures, Furniture, &c., as at 1st January 1898—				
Head Office	500 0 0			
Factory	7,500 0 0			
Branch A.	2,000 0 0			
„ B.	1,500 0 0			
Bankers	6,790 1 6			
Cash Balance	16 2 6	135 9 2	89 3 2	58 1 8
Stocks (1st January 1898) ..		10,216 5 9	3,218 1 6	2,190 6 7
Purchases (Net)		76,516 2 9		
Wages		41,316 2 8		
Factory Manager's Salary ..		1,000 0 0		
Salaries and Wages ..			3,516 9 6	3,022 3 4
Carriage to Branches ..		2,517 6 9		
Rates and Taxes.. ..		316 2 9	569 7 6	452 9 2
Salaries and Office Expenses	3,519 6 8			
Sundry Expenses		517 6 8	3,017 9 2	1,869 4 6
Goods from Factory ..			75,267 3 2	45,350 0 2
Bad Debts			679 8 1	1,029 2 2
Debtors			9,620 2 9	5,730 2 3
Factory (Current Account)	2,333 1 11			
Branch B. do. ..	3,672 3 10			
Head Office do. ..			4,914 3 3	
Income Tax	650 0 0			
Directors' Fees	1,500 0 0			
Auditors' Fees	105 0 0			
Debenture Interest ..	2,000 0 0			
	£132,085 16 5	£132,534 16 6	£100,891 8 1	£59,701 9 10

Cr.	Head Office. £ s d	Factory. £ s d	Branch A. £ s d	Branch B. £ s d
Share Capital	75,000 0 0			
Debentures, 4 per cent, ..	50,000 0 0			
Creditors	550 10 0	9,584 11 3	176 7 6	359 2 6
Goods to Branch A. ..		75,267 3 2		
Do. B. ..		45,350 0 2		
Sales			100,715 0 7	55,670 3 6
Profit and Loss (Balance of previous year's Profit) ..	1,621 3 2			
Head Office (Current Account)		2,333 1 11		3,672 3 10
Branch A. (Current Account)	4,914 3 3			
	£132,085 16 5	£132,534 16 6	£100,891 8 1	£59,701 9 10

MANUFACTURING AND TRADING ACCOUNT, for the Year ended 31st December 1898.

Dr.

	Factory	Branch A.	Branch B.	Total
	£ s d	£ s d	£ s d	£ s d
To Stock, 1st Jan. 1898 ..	10,216 5 9	3,218 1 6	2,190 6 7	15,624 13 10
" Purchases	76,516 2 9	75,267 3 2	45,350 0 2	76,516 2 9
" Wages and Salaries ..	42,316 2 8	3,516 9 6	3,022 3 4	43,854 15 6
" Gross Profit carried down	745 17 9	:3,303 10 1	7,029 18 10	31,079 6 8
	£129,794 8 11	£105,305 4 3	£57,592 8 11	£172,074 18 9
To Carriage	2,517 6 9	..	..	2,517 6 9
" Rates and Taxes.. ..	316 2 9	569 7 6	452 9 2	1,337 19 5
" Sundry Expenses ..	517 6 8	3,017 9 2	1,869 4 6	5,404 0 4
" Bad Debts..	..	679 8 1	1,029 2 2	1,708 10 3
" Depreciation	750 0 0	100 0 0	75 0 0	925 0 0
" Balance, being Profit for the year	..	18,937 5 4	3,604 3 0	19,186 9 11
	£4,100 16 2	£23,303 10 1	£7,029 18 10	£31,079 6 8

Cr.

	Factory	Branch A.	Branch B.	Total
	£ s d	£ s d	£ s d	£ s d
By Sales	120 617 3 4	100,715 0 7	55,670 3 6	156,385 4 1
" Stock, 31st Dec. 1898 ..	9,177 5 7	4,590 3 8	1,922 5 5	15,689 14 8
	£129,794 8 11	£105,305 4 3	£57,592 8 11	£172,074 18 9
By Gross Profit brought down	745 17 9	23,303 10 1	7,029 18 10	31,079 6 8
" Balance, being Loss for the year	3,354 18 5			
	£4,100 16 2	£23,303 10 1	£7,029 18 10	£31,079 6 8

BALANCE SHEET, 31st December 1898.

Liabilities.

	Head Office	Factory	Branch A.	Branch B.	Total
	£ s d	£ s d	£ s d	£ s d	£ s d
Share Capital	75,000 0 0	..	..	..	75,000 0 0
Debentures	50,000 0 0	..	..	..	50,000 0 0
Creditors	550 10 0	9,584 11 3	176 7 6	359 2 6	10,670 11 3
Current Accounts ..	4,814 3 3	3,083 1 11	..	3,747 3 10	..
Profit and Loss Account	..	..	18,937 5 4	3,604 3 0	13,033 6 5
	£130,364 13 3	£12,667 13 2	£19,113 12 10	£7,710 9 4	£148,703 17 8

Assets.

	Head Office	Factory	Branch A.	Branch B.	Total
	£ s d	£ s d	£ s d	£ s d	£ s d
Premises	70,000 0 0	..	..	..	70,000 0 0
Goodwill	30,000 0 0	..	..	..	30,000 0 0
Machinery, &c. ..	10,575 0 0	..	..	..	10,575 0 0
Stock	..	9,177 5 7	4,590 3 8	1,922 5 5	15,689 14 8
Debtors	..	..	9,620 2 9	5,730 2 3	15,350 5 0
Cash at Bank ..	6,790 1 6	..	..	..	6,790 1 6
" in hand.. ..	16 2 6	135 9 2	89 3 2	58 1 8	298 16 6
Current Accounts ..	6,830 5 9	..	4,814 3 3		
Profit and Loss Account	6,153 3 6	3,354 18 5			
	£130,364 13 3	£12,667 13 2	£19,113 12 10	£7,710 9 4	£148,703 17 8

NOTE.—In practice it would be more convenient for the Machinery Accounts to be kept in the books of the respective branches, thus avoiding the necessity for making the required adjustments for Depreciation through the Current (or Adjustment) Accounts.

SUMMARISED BALANCE SHEET, 31st December 1898.

Liabilities.	£ s d	£ s d	*Assets.*	£ s d	£ s d
Capital Account (7,500 shares of £10 each, fully paid up)	..	75,000 0 0	Goodwill	..	30,000 0 0
Debentures	..	50,000 0 0	Premises	..	70,000 0 0
Creditors	..	10,670 11 3	Machinery, Fixtures, Furniture, &c...	..	10,575 0 0
Profit and Loss Account:—			Stock-in-Trade	..	15,689 14 8
Balance from last account	1,621 3 2		Debtors	..	15,350 5 0
Net Profit for the Year (as per Profit and Loss Account).. ..	11,412 3 3		Cash at Bank	6,790 1 6	
		13,033 6 5	„ in hand	298 16 6	7,088 18 0
		£148,703 17 8			£148,703 17 8

Dr. SUMMARISED PROFIT AND LOSS ACCOUNT, for the Year ended 31st December 1898. *Cr.*

	£ s d		£ s d
To Head Office Salaries and Office Expenses	3,519 6 8	By Gross Profit	£19 186 9 11
„ Income Tax	650 0 0		
„ Directors' Fees	1,500 0 0		
„ Auditors' Fees	105 0 0		
„ Debenture Interest..	2,000 0 0		
„ Balance, being Net Profit for the Year	11,412 3 3		
	£19,186 9 11		£19,186 9 11

FOREIGN BRANCHES.

The method of recording the transactions occurring at various Branches of the same business having now been described, there remain to be considered those points which must be borne in mind in connection with the application of this principle to the accounts of a Branch situated abroad, where the transactions (or the majority of them) naturally take place in the currency of that country, and not in English money.

If the exchange value of the foreign currency never varied, the problem would, of course, be a most simple one, as in that case a certain number of dollars, francs, &c., would always represent the same amount when expressed in sterling; but, as a matter of fact, there is no such fixed exchange value, and indeed differences of exchange arise in practice in connection with remittances between Great Britain and its dependencies abroad where the English coinage is employed. These latter differences, however, relate solely to remittances, and may therefore be treated as being merely the commission charged (or allowed) by bankers for forwarding money to a distant place, and may be conveniently treated in the books as ordinary cash discounts, without otherwise disturbing the system already described.

In the case of foreign currencies, however, the position is different. The essence of the problem is that while profits are, for the most part, earned in one currency, they have to be distributed among shareholders (or partners) in another; while the working capital of the undertaking (or the bulk of it) is, for the time being, invested in assets which are only realisable in the foreign currency. Add to these the facts that the rate of exchange is frequently altering, and sometimes varies within very considerable limits, and the further fact that the intrinsic value of the foreign currency is often far less than even its exchange value, and it will be seen that the problem is one that requires the most careful consideration, if it is to be treated so that the accounts may accurately show the position of affairs.

In the majority of cases it will be found that while the proprietors reside in Great Britain, and profits have to be divided there, the bulk of the fixed and floating assets are held in a foreign country; while — with the exception of such liabilities as debentures, mortgages, &c.—most of

the debts of the undertaking would be due in the foreign country and payable in foreign currency. The undertaking itself, however, is a British one; and the accounts which are required to show its position from time to time have to be submitted in British currency. Very little consideration will suffice to show that the method so ordinarily adopted of converting the Foreign Trial Balance, and incorporating it in the Head Office books, at a uniform rate of exchange cannot in the nature of things produce correct results.

For instance, with Anglo-Indian undertakings it is common practice to regard the rupee as being worth 1s. 6d., and to convert the Indian Trial Balance at this assumed rate of exchange. The result is that while fixed assets (which might properly be brought into the accounts at cost, less depreciation) are probably upheld at a considerably lower figure, debts due to the undertaking and payable in rupees, together with any cash balances in India, are stated in the accounts at a figure considerably in excess of the amount that could possibly be realised in sterling if they could be all collected and the total cash (in rupees) remitted home. While, *per contra*, the local liabilities are stated at a sterling figure in excess of the amount that would have to be sent out from home in order to extinguish them. This system is also equally misleading in connection with the Trading and Profit and Loss Accounts, seeing that all the Revenue items—*i.e.*, the aggregate of the transactions representing income and expenditure during the current period—are stated at amounts in excess of the actual value in English money of these transactions. It will thus be seen that by this method fixed assets are probably under-stated, floating liabilities are over-stated, floating assets are over-stated, and the amount of all Revenue items is exaggerated. Under some circumstances it may so happen that the various items of assets and liabilities so balance each other that the aggregate result is approximately, if not actually, correct; but it can only be quite by chance that such a result should be produced. The general custom is to provide for the admitted inaccuracy of the result as a whole by a general Reserve to cover the loss on exchange. This may, of course, answer the purpose of preventing the final figure of net profit being over-stated, and thus preventing dividends being paid out of Capital; but it must be clear that, whatever the advantages of the system on the score of simplicity, it is in its nature quite inaccurate and unworthy of adoption, except perhaps in connection with isolated transactions undertaken by concerns that do not habitually trade abroad.

The only system that can give really reliable and accurate results is one that recognises that in the case of such undertakings the foreign currency, instead of being a definite expression of value, is only the "medium" temporarily employed at the Branch for the record of the transactions in such a form that they can be afterwards considered upon their respective merits by the Head Office when the Foreign Trial Balance is periodically remitted home.

PROBLEM.—Explain how the following Trial Balance of the books of a Branch in New York should be incorporated in the Head Office Accounts:—

TRIAL BALANCE, 31st December 1901.

Head Office Account		$20,000
Remittance Account	$5,000	
Cash	4,260	
Debtors	7,500	
Creditors		1,000
Fixtures and Fittings	1,740	
Stock (on 1st January 1901)	4,650	
Purchases	16,210	
Sales		28,430
Trade Expenses	4,600	
Discounts		250
Bills Receivable	5,720	
	$49,680	$49,680

Stock on 31st December 1901, $4,800.

Assume that rate of exchange on 31st December 1901 is 5, that the average for the year is 4·98, and that the rate on 1st January 1901 (and before) is 5·05.

In the Head Office Books the following balances appear:—

New York Branch	£3,960	7	10	*debit*
Remittance Account	1,004	0	0	*credit*

First convert the dollars into sterling; fixed assets at same rate as before; floating assets and liabilities at current rate; Revenue items at average rate; the remittances at actual rate; the Adjustment Account at same rate as before (=figure in Head Office Books):—

NEW YORK TRIAL BALANCE.

31st December 1901.	*Dr.* £ s d	*Cr.* £ s d
Head Office Account	..	3,960 7 10
Remittance Account (amount realised)	1,004 0 0	
Cash	852 0 0	
Debtors	1,500 0 0	
Creditors	..	200 0 0
Fixtures and Fittings	344 11 1	
Stock (1st January 1901)	920 15 10	
Purchases	3,255 0 5	
Sales	..	5,708 16 8
Trade Expenses	923 13 11	
Discounts	..	50 4 0
Bills Receivable	1,144 0 0	
Difference in Exchange	..	24 12 9
	£9,944 1 3	£9,944 1 3

Stock (31st December 1901), £960.

Then pass the following Journal entries in the Head Office Books :—

JOURNAL, 1901.

		Dr.	*Cr.*
		£ s d	£ s d
31st December.			
Remittance Account		1,004 0 0	
To New York Branch Account		..	1,004 0 0
New York Trading Account		5,099 10 2	
To New York Branch Account		..	5,099 10 2
Viz.:—Stock (1st January 1901)	£920 15 10		
Purchases	3,255 0 5		
Trade Expenses	923 13 11		
	£5,099 10 2		
New York Branch Account		6,743 13 5	
To New York Trading Account		..	6,743 13 5
Viz. —Sales	£5,708 16 8		
Stock (31st December 1901) ..	960 0 0		
Discounts	50 4 0		
Profit on Exchange	24 12 9		
	£6,743 13 5		
New York Trading Account		1,644 3 3	
To General Profit and Loss Account		..	1,644 3 3
(Being Profit on New York Branch transferred.)			

The Ledger Accounts in the Head Office Books will then appear as follows :—

Dr. NEW YORK BRANCH ACCOUNT. *Cr.*

1901		£ s d	£ s d	1901		£ s d	£ s d
Jan. 1	To Balance	..	3,960 7 10	Dec. 31	By Remittance Account ..	..	1,004 0 0
Dec. 31	" New York Trading Account	..	6,743 13 5	"	" New York Trading Account	..	5,099 10 2
				"	" Balance down, viz.:—		
					Cash	852 0 0	
					Debtors	1,500 0 0	
					Bills Received	1,144 0 0	
					Fixtures	344 11 1	
					Stock	960 0 0	
						4,800 11 1	
					Less Creditors	200 0 0	
							4,600 11 1
			£10,704 1 3				£10,704 1 3
1902							
Jan. 1	To Balance	..	4,600 11 1				

Dr. REMITTANCE ACCOUNT. *Cr.*

1901		$	£ s d	1901		$	£ s d
Dec. 31	To New York Branch Account	5,000	1,004 0 0	(various Dates)	By Cash	5,000	1,004 0 0

Dr. NEW YORK TRADING AND PROFIT AND LOSS ACCOUNT. *Cr.*

1901		£ s d	1901		£ s d
Dec. 31	To New York Branch Account, Stock (1st January 1901)	920 15 10	Dec. 31	By New York Branch Account Sales ..	5,708 16 8
"	" New York Branch Account, Purchases	3,255 0 5	"	" Do. Stock	960 0 0
"	" Do. Trade Expenses ..	923 13 11	"	" Do. Discounts	50 4 0
"	" Profit and Loss Account: Net Profit	1,644 3 3	"	" Do. Profit on Exchange ..	24 12 9
		£6,743 13 5			£6,743 13 5

Dr. GENERAL PROFIT AND LOSS ACCOUNT. *Cr.*

	£ s d	1901		£ s d
		Dec. 31	By New York Trading and Profit and Loss Account	1,644 3 3

NOTE.—Had the erroneous system of adhering to one fixed rate of exchange been adopted, the profit of the New York Branch would have appeared to be £1,604 (*at* 5, *the rate of the day*), *or* £1,611 0s. 11*d.* (*at* 4·98, *the average rate*)—*a difference of* 2½ *and* 2 *per cent. respectively.*

FOREIGN TRADING.

In the case of an undertaking which is from time to time in the habit of purchasing goods from abroad, or selling goods to foreign customers, it is important that an adequate system of accounting should be provided, if confusion and subsequent inaccuracy of results are to be avoided. Dealing first of all with Purchases, the invoices will almost invariably be made out in the currency of the foreign country, and the debt will be legally dischargeable in that currency. The best plan is to provide a separate Bought Journal and Bought Ledger kept in the foreign currency, and if the Bought Ledger Accounts are settled by a remittance of foreign bills a Foreign Bills Payable Book should be added. It is quite unnecessary that these transactions should be converted into sterling in detail; it will suffice for all practical purposes if the detailed record be in the foreign currency. The Foreign Bought Ledger should be "self-balancing," and the Adjustment Account (and that account alone) should be kept in both currencies, the monthly totals of the Bought Journal being converted at the average rate, Bills Payable at the average rate, and Cash payments at the rate ruling when the payment actually takes place. It is convenient that the Foreign Bills Payable Account should be kept in the Foreign Bought Ledger, so that all the accounts which must of necessity be kept in that currency may be together. A separate Bought Ledger Payments Book, or an extra column in the General Cash Book, will be necessary to enable the total of the cash posted to the Foreign Bought Ledger to be readily arrived at: of the two, the former will probably be found most convenient, ruled as follows:—

EXAMPLE:

FOREIGN BOUGHT LEDGER PAYMENTS BOOK.

Date	Name	Fo.	Discount	Amount	Equivalent at Average Rate	Rate	Equivalent at Actual Rate	Profit on Exchange	Loss on Exchange
			F. c.	F. c.	£ s d		£ s d	£ s d	£ s d

This book provides the necessary connecting-link, enabling the aggregate amount of the Difference in Exchange to be readily arrived at, which must be posted to the Adjustment Account in the Foreign Bought Ledger in the "Sterling" columns, and also, of course, to the Exchange Account in the Nominal (or General) Ledger. The Foreign Ledger Adjustment Account in the Nominal (or General) Ledger need only be kept in sterling, and should, of course, agree exactly with the "Sterling" columns of the equivalent account in the Foreign Ledger.

AN ALTERNATIVE METHOD that is sometimes employed is to provide the Foreign Bought Ledger with double currency columns, but to only convert the total of the credit postings periodically as the account is paid. This involves but little additional work, and enables the Differences in Exchange to be posted up against the appropriate Personal Accounts, thus minimising any risk of irregularity arising from this cause. The following *pro formâ* account will show clearly what is intended:—

Dr. LEMAITRE FRERES. *Cr.*

1905		£ s d	F. c.	1905		£ s d	F. c.
Feb. 15	To Cash	36 17 3	940.00	Jan. 2	By Goods		92.50
	„ Exchange	0 7 0		12	„ „		135.00
				17	„ „		712.50
		£37 4 3	940.00			£37 4 3	940.00

SALES to customers abroad, if invoiced in the currency of the foreign country, may be recorded upon the lines already described in connection with Purchases, *mutatis mutandis*. As a rule, however, the goods will be invoiced in sterling, and the liability of the customer will accordingly accrue therein. If the liability be satisfied by the purchase of Bills payable on London (as is sometimes the case) there is, of course, no occasion to distinguish these transactions from inland Sales; but in cases where payment is made in the equivalent of the foreign currency, it is best to employ a separate Foreign Sales Ledger, with its accompanying books of first entry, all of which will be in the ordinary form, save the Sold Ledger Cash Book, which might be ruled as follows:—

EXAMPLE:

FOREIGN SOLD LEDGER CASH BOOK.

Amount of Remittance	Date	Name	Fo.	Discount	Amount Remittance Realised	Rate	Profit on Exchange	Loss on Exchange
F. c.				£ s d	£ s d		£ s d	£ s d

DEPARTMENTAL ACCOUNTS.

Another branch of the class of accounts already considered in this chapter relates to the division of the business into separate Departments, usually (but not necessarily) situated under the same roof. The various departments of a large undertaking are generally under separate management, and for this reason (if for no other) it is desirable that the accounts should be framed so that the results achieved by each may be separately shown. Even in smaller undertakings there are numerous, and obvious, advantages to be derived from the employment of Departmental Accounts.

These accounts differ from those connected with Branches, in that the customers of one Department may be—and very likely are—customers of all Departments: it will therefore be very undesirable to keep separate Sold Ledgers in respect of each Department. For the like reason there is usually no advantage to be obtained from a Departmental division of the Bought Ledger Accounts: it is far better that each Personal Account should record the whole of the transactions entered into with each particular person. With regard to the Nominal Accounts, however, this is not the case, the balance of advantage lying in so analysing all the sources of income and expenditure as to enable, at all events, a separate Trading Account to be prepared for each Department, if not a separate Profit and Loss Account as well.

So far as the Purchases are concerned, this can be readily done by adopting a tabular form of Bought Book, and separate Pay Sheets for the wages paid in respect of each Department. A convenient form of Bought Book is shown overpage, the various items in the Total column being posted to the credit of the various Personal Accounts in the Bought Ledger, while the totals of the various Analytical columns are posted monthly to the debit of separate Purchases Accounts opened in respect of each Department.

BOUGHT BOOK..................................19....

Date	Invoice No.	Name	B.L. Fo.	Total of Invoices	Department A.	Department B.	Department C.	Department D.	Department E.	Department F.
				£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d

A similar form of ruling may (if desired) be employed for the analysis of Sales, but it frequently happens that these are far too numerous for this to be the most expeditious mode of procedure. The invoices for goods sold—whether on credit or for cash—should be prepared in the Sales Departments, in duplicate (or any convenient larger number of copies), by means of a carbon sheet. In the case of Cash Sales, the duplicate will pass in the first instance to the Cashier, and the number and amount be entered upon the Cash Sheet, so that the Cashier's money may be checked. The duplicate is then passed on to the Counting House, which also receives direct from the Selling Department the duplicates of the bills representing Credit Sales. As each bill is numbered consecutively, and a summary of the numbers and amounts is kept in the Selling Department, there is no difficulty in tracing the loss or destruction of a bill, should it occur. The Credit Sales duplicates are passed on to the Sales Ledger clerks, who write them up in their respective Day Books, and then hand them to the Dissecting Clerk; while the Cash Sales duplicates are written up in the Cash Sales Book by the Chief Cashier's assistant, and then also handed to the Dissecting Clerk. It is the duty of the latter to analyse both the Credit and Cash Sales of each day, giving each Department credit for its sales; the Dissecting Clerk's total for the day's Credit Sales must agree with the Day Book totals, while his total for the Cash Sales must agree with the total Cash received by the Chief Cashier from the Departmental Cashiers. The entries in this Analysis Book thus form the medium for posting to the credit of Sales Accounts opened for each Department the day's Sales of that Department, both on credit and for cash. (*cf.* Chap. XVIII.)

It not infrequently happens that one of the Departments may have occasion to purchase from another, as, for instance, the Dressmaking from the Drapery Department. In such a case the Drapery Department treats the Dressmaking Department as an ordinary customer (save that, as a rule, the goods would be charged at trade or cost price), while the Dressmaking Department hands over the invoice to the Counting House as an invoice respecting goods purchased by it in the ordinary way. At the end of each month the total goods sold by each Department to other Departments is ascertained, and a transfer made debiting the Sales Account and crediting the Purchases Account of the Selling Department with that amount. The reason for treating these transfers as *deductions from Purchases*, instead of as Sales, is because they do not bear the ordinary Gross Profit, and it is desired to remove any element that might tend to disturb the percentage of gross profit realised upon actual sales. Establishment Expenses of all kinds would be debited to Nominal Accounts in the usual way. As a rule, these expenses would be transferred to a combined Profit and Loss Account, which would stand credited with the Gross Profit earned by each Department. Sometimes, however, it is thought more convenient to charge the whole—or some—of these Expenses to the Departmental Trading Accounts, in which case the charge might be either by way of

apportioning the total expenditure, when ascertained; or the Departments (or some of them) may be charged a fixed sum per annum, which sum would, of course, be credited to the various general Nominal Accounts concerned.

The following example shows the form in which the accounts would be prepared of a business divided into three departments, two of which are Trading Departments and the third (B) a Manufacturing Department.

PROBLEM.—The following is the Trial Balance of the books of A. B. at 30th June 1901 :—

TRIAL BALANCE, 30th June 1901.

		Dr.	*Cr.*
		£ s d	£ s d
Sundry Debtors		1,520 0 0	
" Creditors			1,346 0 0
Plant and Machinery		1,050 0 0	
Bills Payable			329 0 0
" Receivable		108 0 0	
Shares in Imperial Land Company, Lim.		250 0 0	
Capital Account			1,625 0 0
Cash in hand		22 0 0	
Bank overdraft			532 0 0
Bad Debts		46 0 0	
Stock at 30 June 1900—			
Department A	£790 0 0		
" B	320 0 0		
" C	400 0 0		
		1,510 0 0	
Purchases—			
Department A	2,851 0 0		
" B	821 0 0		
" C	2,021 0 0		
		5,693 0 0	
Sales—			
Department A	3,075 0 0		
" B	1,563 0 0		
" C	3,540 0 0		
			8,178 0 0
Wages, Productive, Department B		419 0 0	
Salaries and Wages, Unproductive		322 0 0	
Drawings		210 0 0	
Advertising		251 0 0	
Dividends on Shares			25 0 0
Interest to Bank		76 0 0	
Commission		142 0 0	
Rent, Rates, and Insurance		111 0 0	
Discounts and Allowances		129 0 0	
Depreciation		132 0 0	
Carriage		103 0 0	
General Expenses		70 0 0	
Stationery		25 0 0	
Discounts on Purchases			154 0 0
		£12,189 0 0	£12,189 0 0

The Stock at 30th June 1901 amounted to—Department A, £1,005; Department B, 365; Department C, £305. Provide 2½ per cent. for discount on Book Debts, £75 for Reserves for loss through Bad Debts, and adjust in the year the proportions of the following:—

(1) Fire Insurance Premiums paid to 25th March 1902, £44. (2) Rent of Works owing for quarter ended 24th June 1901, £45. (3) Telephone Rent, due and paid 30th November 1901, £20.

Prepare (*a*) Trading Accounts for the Departments A, B, and C. (*b*) Profit and Loss Account. (*c*) Balance Sheet.

The following adjustment entries are necessary before finally closing the books:—

JOURNAL, 1901.

30th June	Dr. £	s	d	Cr. £	s	d
Suspense Account ..	41	6	8			
To Rent, Rates, and Insurance ..		..		33	0	0
" General Expenses ..		..		8	6	8
(Being proportions paid in advance—viz., say, three-fourths of £44 equals £33; five-twelfths of £20 equals £8 6s. 8d.)						
Rent, &c., Account ..	45	0	0			
To Suspense Account ..		..		45	0	0
(Being one quarter's rent of Works due Midsummer last.)						
Discounts and Allowances ..	38	0	0			
To Reserve for Discounts ..		..		38	0	0
(Being 2½ per cent. on Sundry Debtors, £1,520, reserved to cover Cash Discounts.)						
Bad Debts ..	75	0	0			
To Reserve for Bad and Doubtful Debts ..		..		75	0	0
(Being provision for possible loss by reason of Doubtful Debts.)						

Dr. (*a*) TRADING ACCOUNT for the Year ended 30th June 1901. *Cr.*

	Dept. A.	Dept. B.	Dept. C.	Total		Dept. A.	Dept. B.	Dept. C.	Total
	£ s d	£ s d	£ s d	£ s d		£ s d	£ s d	£ s d	£ s d
To Stock: 30th June 1900	790 0 0	320 0 0	400 0 0	1,510 0 0	By Sales	3,075 0 0	1,563 0 0	3,540 0 0	8,178 0 0
" Purchases	2,851 0 0	821 0 0	2,021 0 0	5,693 0 0	" Stock: 30th June 1901	1,005 0 0	365 0 0	305 0 0	1,675 0 0
" Wages	..	419 0 0	..	419 0 0					
" Gross Profit, transferred to Profit and Loss Account	439 0 0	368 0 0	1,424 0 0	2,231 0 0					
	£4,080 0 0	£1,928 0 0	£3,845 0 0	£9,853 0 0		£4,080 0 0	£1,928 0 0	£3,845 0 0	£9,853 0 0

Dr. (b) PROFIT AND LOSS ACCOUNT for the year ended 30th June 1901. Cr.

	£ s d	£ s d		£ s d	£ s d
To Rent, Rates, and Insurance	123 0 0		By Gross Profit from Trading Account:—		
" Wages and Salaries	322 0 0		A Department	439 0 0	
" Advertising	251 0 0		B "	368 0 0	
" Carriage	103 0 0		C "	1,424 0 0	
" Commission	142 0 0				2,231 0 0
" Stationery	25 0 0		" Dividend on Shares		25 0 0
" General Expenses	61 13 4		" Discounts on Purchases		154 0 0
		1,027 13 4			
" Bank Interest	76 0 0				
" Bad Debts	121 0 0				
" Discounts and Allowances	167 0 0				
		364 0 0			
" Depreciation		132 0 0			
" Balance (being net profit for the year) transferred to Capital Account		886 6 8			
		£2,410 0 0			£2,410 0 0

(c) BALANCE SHEET, 30th June 1901.

Liabilities.	£ s d	£ s d	*Assets.*	£ s d	£ s d
CAPITAL ACCOUNT:—			Plant and Machinery (*less* Depreciation)		1,050 0 0
Balance, 1st July 1900	1,625 0 0		Stock-in-Trade		1,675 0 0
Net Profit, per Profit and Loss Account	886 6 8		Bills Receivable		108 0 0
	2,511 6 8		Sundry Debts	1,520 0 0	
Less Drawings	210 0 0		*Less* Reserve for Discounts £38 0 0		
		2,301 6 8	" Reserve for Bad Debts 75 0 0		
Sundry Creditors		1,346 0 0		113 0 0	
Bills Payable		329 0 0			1,407 0 0
Bank Overdraft		532 0 0	Shares in Imperial Land Co., Lim.		250 0 0
Suspense Account		3 13 4	Cash in hand		22 0 0
		£4,512 0 0			£4,512 0 0

NOTE.—If the amounts on the Suspense Account are at all considerable, it is better to show the debits among the assets and the credits among the liabilities, rather than (as above) strike a balance and bring in the difference only.

CHAPTER VI.

TABULAR BOOKKEEPING.

THE term "Tabular Bookkeeping" is generally applied to a special form of Ledger, but it is equally applicable to books of first entry, and the advantages of the system may be as often introduced at this point as in connection with Ledgers. Any form of account book which is provided with several columns, in order to facilitate the classification of the transactions recorded, may be properly stated to come under this heading.

TABULAR CASH BOOK.

Probably the commonest example of the employment of tabular bookkeeping is the ordinary three-column Cash Book, which provides separate columns for the record of transactions with the Bank, in the Office Cash, and in Discounts. The advantages of this form of book are too well known to call for any detailed comment. It may, however, be pointed out that, while the ordinary three-column Cash Book is a very rudimentary form of tabular bookkeeping, so far as it goes it well illustrates the advantages which the system offers, as applied to books of first entry. More elaborate examples of tabular Cash Books are found when it is thought desirable to provide for the separate balancing of several Ledgers without introducing subsidiary Cash Books for each. Another—and perhaps more generally used—form is that which enables a large number of detailed postings to be dispensed with, periodical totals being substituted therefor. In extreme cases (as, for example, in the accounts of non-trading charitable institutions, the accounts of trustees in bankruptcy, and the like) the necessity for the employment of a Ledger may be entirely obviated by the employment of a suitably designed tabular Cash Book. An example of such a book will be found in Chapter XIV. Another form of Cash Book, which may be usefully described here in detail, is one from which Ledger postings are made as usual, while a large number of analytical columns are added with a view to enabling the various Ledgers to be balanced separately, and also with a view to reducing to a minimum the number of detailed postings that have to be made to certain accounts in which numerous transactions occur. The example opposite, which gives the *pro formâ* ruling of a Cash Book suitable to a large Building Society, clearly shows how this may be accomplished. The only entries posted in detail into the General Ledger will be those entered in the column marked "General Ledger." The others will be posted to the appropriate accounts in the General Ledger (many of which, it will be observed, are "Adjustment Accounts") in daily totals only, the detailed postings being made to the various subsidiary Ledgers—viz., "Advances Ledger," "Paid-up Share Ledger," "Investment Share Ledger," and "Depositors' Ledger." The receipts in respect of "Fines" afford an example of a class of transaction which frequently occurs, and which is posted in totals only in order to save clerical labour: the fines received

EXAMPLE:

FORM OF TABULATED CASH BOOK SUITABLE FOR A BUILDING SOCIETY.

Dr. CASH.

Date	Roll No.	Name	Folio	Repayments of Advances £ s d	Paid-up Shares £ s d	Subscription Shares £ s d	Deposits £ s d	Fines £ s d	General Ledger £ s d	Total £ s d	Daily Total (banked) £ s d

CONTRA. *Cr.*

Date	Roll No.	Name	No. of Cheque	Folio	Advances on Mortgage £ s d	Paid up Shares Withdrawn £ s d	Subscription Shares Withdrawn £ s d	Deposits Withdrawn £ s d	Deposit Interest Withdrawn £ s d	General Ledger £ s d	Total £ s d	Daily Total £ s d

NOTE.—On account of the large number of columns, and for other reasons, it will usually be found preferable to record the debit and credit entries in separate books, called respectively "Cash Received" and "Cash Paid," the daily totals of each being posted to a Bank Account in the General Ledger.

would, of course, have to be also entered in the various departmental Ledgers, but they would there be recorded in memo. only, as in no way affecting the balances outstanding on the various members' accounts.

Before leaving this branch of the subject, it may be added that in many trading concerns it will be found convenient to add an extra column upon each side of the Cash Book for the record of Cash Sales and Cash Purchases respectively, as by this means postings, in weekly or monthly totals, may be substituted for a large number of detailed postings upon each side. Similarly, if transactions in Bills are very numerous, it will sometimes be found convenient to add an additional pair of columns for "Bills Payable" and "Bills Receivable" respectively, more especially if the Bill Book be extended into a "Bill Ledger," as in that case the Bill Ledger may be readily balanced separately.

TABULAR JOURNAL.

Passing on to other books of first entry, the ordinary form of Purchases Book (*cf.* p. 34), with Analysis columns for each department, is, of course, an example of Tabular Bookkeeping, and the ordinary form of Bill Book is another example. It is, however, only thought necessary to illustrate one form of ruling under this heading, as showing the development of which the Tabular System is capable. The form given overpage will be found particularly useful to Agents, and others who have occasion to buy or sell goods, or to incur expenses on behalf of numerous other persons, as it automatically ensures the debiting of some person or persons with the full amount of each liability incurred. It is, of course, purely a question of convenience whether the accounts to be debited be placed in columns and the accounts to be credited in lines, or whether the accounts to be credited be placed vertically and the accounts to be debited horizontally. In practice, however, it will generally be found desirable to place the largest number upon horizontal lines, with a view to reducing to a minimum the number of columns required.

EXAMPLE:

FORM OF EXPENSES JOURNAL suitable for Agents, &c.

Date	No. of Invoice	Account to be Credited	Fo.	Amount of Invoice	Accounts to be debited.					
					A	B	C	D	E	F
				£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d
					Fo.	Fo.	Fo.	Fo.	Fo.	Fo.

TABULAR LEDGER.

The most important developments of the Tabular System are, however, to be found in connection with Ledgers. Leaving upon one side the rudimentary forms of Tabular Ledger that have already been mentioned, the varieties in general use may be divided into two classes. The first class is suitable for the record of transactions when the number of Personal Accounts is very considerable, and when only one such transaction occurs with each person during a specified limit of time. These conditions apply to Rent Accounts, the Rate Accounts of Local Authorities, Subscription Accounts of various Societies, Accounts for Gas, Water, Electric Light, Telephone Rent, and the like. In all these cases the number of separate Personal Accounts required is so considerable that a Ledger kept upon the ordinary lines could not be very readily balanced, and the tabular form, each page of which is capable of being balanced separately, is therefore more convenient. The essential principle is that of dividing the Ledger into pages (or groups of pages), not according to the transactions with each of the various persons concerned, but according to the date, or period, covered by these transactions. That is to say, a folio (or, if necessary, a series of folios) is set aside to record *all* the transactions of a certain nature during a certain prescribed *period;* the period will naturally vary according to the nature of the undertaking, but whatever period may be covered, *all* the transactions that occur within that time (and which are of such a nature as to be recorded in this Ledger at all) are entered upon the folio (or series of folios) dealing with that particular period. These folios are ruled in columnar form, so that a separate line may be devoted to each person, and a separate column to each class of transaction that may have to be recorded; or sometimes it may be convenient to reverse the process, and to assign a column to each Personal Account and a line to the record of each separate item in that account. As a rule, however, the first-named is the more usual course. It is not thought necessary to give numerous examples of Tabular Ledgers coming under this heading. The following will clearly explain the working of the system, whatever may be the exact nature of the transactions to be recorded.

EXAMPLE:

FORM OF TABULAR LEDGER (Suitable for a Water Company).

Arrears 31/12/02	C.B. Fo.	Arrears Coll'c'd	Ref. No.	No. in Street and Name	Rate'ble Value	Annual Rent (for Water)	Extras	C.B. Fo.	Amount Rec'iv'd	Allowances, Vacancies, and Bad Debts			Arrears 31/12/03	(The like particulars for 1904)	(The like particulars for 1905)	Arrears 31/12/05
										Fo.	A/c.	Amount				
£ s d		£ s d			£ s d	£ s d	£ s d		£ s d			£ s d	£ s d			£ s d

NOTES:—A separate line to be devoted to each Account.

The name of each Street to be written across the column marked "No. in Street and Name," and the various accounts in that Street to be written thereunder.

If the rate is payable half-yearly, two lines should be devoted to each Account.

It will be seen that, under this system, the total of each of the various columns is capable of being agreed with known facts, and these totals having been so agreed, the exact balancing of the Ledger as a whole follows as a matter of course, if the various additions and cross-additions have been correctly made. If any difference occurs it must be due to a mistake in addition, and that mistake can be readily located on to a single page. Tabular Ledgers may therefore be very easily balanced exactly, even if the number of separate accounts should run into several thousands.

From what has been stated, it will be seen that Tabular Ledgers have their limitations, and that the form so far described is only suitable when there is but one debit (or possibly two) to be made to each person during the period covered by the Ledger opening. Up to a certain extent, the application of the Tabular System may be slightly extended to deal with exceptional cases by leaving three or four lines to an account; but, speaking generally, if there is more than one debit to an account in each period, the system is not suitable. There is, however, nothing (save the question of convenience) to prevent the period selected for a Ledger opening being made as short as may be thought desirable, but the considerable labour of re-writing all the names each time a new set of folios has to be brought into operation naturally imposes a limit upon development in this direction.

A special advantage of Tabular Ledgers is that, inasmuch as a great number of Personal Accounts lie upon the same folio, and as the state of each account can be very readily perceived, this system affords great facilities for supervising the collection of outstanding debts. Under some circumstances, therefore, it may be thought desirable to extend the system in directions which *primâ facie* do not appear to be very suitable—*e.g.*, to the accounts (or some portion of the accounts) of ordinary traders whose dealings with their customers are at frequent, but irregular, intervals. The Tabular System may be applied to the requirements of such cases by the employment in the first instance of a Subsidiary Ledger to *collect* the various entries to the debit of each customer, the totals being then transferred into the Tabular Ledger when a periodical statement of accounts is rendered. This form of Tabular Ledger is very suitable to such undertakings as Collieries, which as a rule render daily invoices in quantities only, the monthly statement of account being the only priced invoice which is forwarded to the customer. In such a case the Subsidiary Ledger might record the various deliveries to the debit of the customer in quantities only, and the Tabular Ledger might be brought into play to record the

EXAMPLE: COSTS LEDGER for the Quarter / Half-Year ended..........19....

Date of Account Rendered	Name of Client and Matter	Press Copy L.B. Fo.	Balance brought forward £ s d	Amount of A/c rendered during curr't period £ s d	Total Amount Due £ s d	Date Received	C.B. Fo.	Amount Received £ s d	Ledger Fo.	Amount Transferred £ s d	Balance carried forward £ s d	Disbursement Led. Fo.	Disbursements included in Charges £ s d	Net Charges £ s d

actual debit in money when the monthly statement is sent out. As such monthly statements would under normal circumstances be supplied at stated intervals, a Tabular Ledger devoting a separate set of pages to each month might be found useful in this connection.

Another form of Tabular Ledger that is sometimes handy to the professional man is one which deals with all bills delivered to clients. A considerable proportion of these bills will doubtless be settled by remittances within a comparatively short space of time, and these may be definitely disposed of in the Tabular Ledger at once. Others, however, will remain outstanding for longer, or will have to be settled "in account" with other transactions, and these, inasmuch as they cannot be conveniently dealt with under the Tabular System, might be readily transferred from the Tabular Ledger to another upon the old-fashioned lines, and there dealt with in due course. If the number of transfers that had to be made for these reasons was inconsiderable, the employment of a Tabular Ledger would undoubtedly be found advantageous, in that, while involving somewhat less labour than the writing up of a Bills Delivered Book and the posting of the various items to Ledger Accounts, it enables the collection of outstanding accounts to be far more readily supervised than would be the case with the old-fashioned Ledger. A form of ruling designed to meet these requirements is given on this page.

Another development of the Tabular System with regard to Ledgers is often applied (although perhaps unconsciously) to the Nominal Ledger, or to Nominal Accounts in a Private (or General) Ledger. With a view to keeping the number of different Nominal Accounts within reasonable limits, it is often customary to post somewhat different classes of expenditure to the same account; *e.g.*, under the heading of General Expenses, or Trade Expenses, the most diverse items will often be included. Further classification of these various items is probably unnecessary for the purpose of compiling the usual Profit and Loss Account; but for statistical purposes totals of detailed expenditure under different classes may be required, which, with

the normal form of Ledger, can only be obtained by "dissecting" the various Nominal Accounts. If, however, each of these accounts be provided with several money columns, this dissection may be made continuously as the Ledger is posted, and is not merely readily available at the close of the financial year, but also at any time up to date. Tabular Nominal Ledgers upon these lines are especially convenient where a great number of separate Trading Accounts are desirable for the different departments. They will also be found useful to merchants in connection with Consignment Accounts of more than ordinary complexity; to publishers who may wish to show separately the results of each work produced, and to others.

The second main type of Tabular Ledger differs essentially from the preceding. Hitherto a form has been dealt with which greatly facilitates the handling of a large number of individual accounts, but which is not suitable where there are a great number of transactions at irregular intervals with the same person, or where the necessity arises to dissect in considerable detail the total debit to the Personal Account. If, however, the position of affairs is reversed, and a very detailed analysis of the total debits is required without any very great number of Personal Accounts being affected, the Tabular System may still be applied with advantage. The most notable instance of such application is in connection with the accounts of hotels, where the debits to the various visitors have to be dissected over a great number of Nominal Accounts. Here, however, the inevitable limitation of the Tabular System retains its hold to this extent, that only one entry of exactly the same kind can be conveniently recorded upon the same Ledger opening. Consequently, in order to meet the requirements of the altered position, it becomes necessary to reduce the period that can be covered by a single opening of the Ledger, the ordinary period covered in the case of an Hotel Ledger kept upon the Tabular System being a single day. The shortness of this period does not, however, cause any very serious inconvenience, because in any event the majority of visitors do not make a protracted stay, and their accounts will therefore under any circumstances only cover a comparatively short space of time; and because, further, the exigencies of this particular industry necessitate the Personal Account of each visitor being invariably kept up to date hour by hour, which would be impossible unless the Ledger were also used as a book of first entry. The form ordinarily adopted under these circumstances is thus upon the lines of the example shown overpage. In comparatively small hotels it is desirable, if possible, to make the Ledger openings of sufficient size to cover all the transactions of one day; but if there are more than about 30 visitors at a time this is impracticable, and two or more openings must be employed and the cross-totals carried forward. The totals of the Nominal Accounts may be either carried forward from day to day and posted direct into the Nominal Ledger monthly, or they may be abstracted daily into a Summary Book, and thence posted monthly into the Nominal Ledger. As a rule, the latter will be found the most convenient course to pursue, both because it reduces the number of cross-casts and on account of the utility of the Summary Book for statistical purposes.

EXAMPLE:

VISITORS' LEDGER.

THURSDAY, JANUARY 1, 1903.

Room No.....	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17		Daily Total	Brought Forward	Carried Forward
Name..	T. Smith	P. Jameson		P Ransom	O. Jones																
	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d		£ s d	£ s d	£ s d
DEBITS.—																		DEBITS.—			
Balance bt. forward ..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	Balance bt. forward ..	..	..	..
Apartments	0 5 0	0 5 0	..	0 5 0	0 3 0	..	..	..	..	..	..	..	..	..	..	..	..	Apartments	0 18 0	..	0 18 0
Boarders..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	Boarders..	..	..	..
Breakfast	0 2 0	0 2 6	..	0 2 6	0 2 6	..	..	..	..	..	..	..	..	..	..	..	..	Breakfasts	0 9 6	..	0 9 6
Luncheons	0 2 6	0 1 9	..	0 2 0	0 2 6	..	..	..	..	..	..	..	..	..	..	..	..	Luncheons	0 8 9	..	0 8 9
Dinners	0 4 0	0 4 0	..	0 4 6	..	..	..	..	..	..	..	..	..	..	..	..	..	Dinners	0 12 6	..	0 12 6
Desserts and Ices ..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	Desserts and Ices ..	..	..	..
Sandwiches	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	Sandwiches	..	..	..
Tea and Coffee ..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	Tea and Coffee ..	..	..	..
Soups	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	Soups	..	..	..
Suppers	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	Suppers	..	..	..
Servants' Board ..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	Servants' Board ..	..	..	..
Wine	..	0 2 6	..	0 3 6	0 1 6	..	..	..	..	..	..	..	..	..	..	..	..	Wine	0 7 6	..	0 7 6
Spirits and Liquors ..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	Spirits and Liquors ..	..	..	..
Ales, Stouts, etc. ..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	Ales, Stouts, etc. ..	..	..	..
Minerals	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	Minerals	..	..	..
Cigars	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	Cigars	..	..	..
Newspapers	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	Newspapers	..	..	..
Postage	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	Postage	..	..	..
Paid Out..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	Paid Out..	..	..	..
Washing..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	Washing	..	..	..
Carriage..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	Carriage	..	..	..
Billiards..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	Billiards	..	..	..
Stationery	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	Stationery	..	..	..
Attendance	0 1 0	0 1 0	..	0 1 0	0 1 0	..	..	..	..	..	..	..	..	..	..	..	..	Attendance	0 4 0	..	0 4 0
Baths	0 1 0	..	..	0 1 6	..	..	..	..	..	..	..	..	..	..	..	..	..	Baths	0 2 6	..	0 2 6
Fire and Lights ..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	Fire and Lights ..	..	..	..
Total	0 15 6	0 16 9	..	1 0 0	0 10 6	..	..	..	..	..	..	..	..	..	..	..	..	Total	3 2 9	..	3 2 9
CREDITS.—																		CREDITS.—			
Overcharges	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	Overcharges	..	..	..
Cash Received	..	..	..	..	0 10 6	..	..	..	..	..	..	..	..	..	..	..	..	Cash Received	0 10 6	..	0 10 6
Ledger Account ..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	Ledger Account ..	..	..	..
Balance car. forward..	0 15 6	0 16 9	..	1 0 0	..	..	..	..	..	..	..	..	..	..	..	..	..	Balance car. forward..	2 12 3	..	2 12 3
Total	0 15 6	0 16 9	..	1 0 0	0 10 6	..	..	..	..	..	..	..	..	..	..	..	..	Total	3 2 9	..	3 2 9

Tabular Ledgers upon somewhat the same lines as the preceding may be used by many domestic tradesmen with advantage, and are in point of fact in very general use in the Dairy and Bakery trades. Occasionally it may be found advantageous to employ some modification of the Tabular System in connection with the accounts of Butchers, Grocers, and others, and in this connection it should be remembered that the abolition of the Day Book effects a very material saving of clerical labour, which will go far towards compensating for any additional trouble that the keeping of the Ledger may entail. The accurate keeping of a Tabular Ledger requires, however, a certain amount of technical training on the part of the bookkeeper, which may often militate against its employment by traders of this description.

SUMMARY.

To sum up, it will be observed that under favourable circumstances the Tabular Ledger greatly facilitates the keeping of accounts upon such lines that they are always up to date and may be readily balanced exactly, while at the same time it especially lends itself to a detailed analysis of Nominal Accounts, which is generally very desirable and often absolutely essential. A very important application of the system arises in connection with the issue of Capital by Joint-Stock Companies, and the issue of Loans by Local Authorities. This, however, will be found to be dealt with separately in Chapter IX. The careful student will doubtless be able to imagine circumstances, other than those enumerated, in which the adoption of the Tabular System, either to books of first entry, or to Ledgers, is very desirable. It is, however, well to add a word by way of caution as to the circumstances under which this system is *not* applicable. Shortly, it may be stated that when the transactions occur at irregular intervals, and are of such a nature that they require to be recorded in the Ledger in considerable detail, and in particular when (owing to the nature of the business) it is essential to be able to follow the transactions with each separate person in the order of their occurrence, the Tabular System is inapplicable. It may be also added that, save for the purpose already mentioned in connection with a Nominal Ledger, the Tabular System cannot with advantage be applied to either Real or Nominal Accounts, as it is essential that these should be recorded in the Ledger with a certain amount of detail attached to each item. It is also desirable to avoid any form of Tabular Bookkeeping which involves the mixing up of cash entries with entries that have nothing to do with cash. Consequently a book of first entry upon Tabular lines which deals, under appropriate columns, with *all* transactions, whether cash or otherwise, is an undesirable one, in spite of the fact that it is very frequently adopted by both solicitors and auctioneers. The danger of employing this form of book in such cases is that, if entries not relating to cash should be placed in the Cash columns, or if cash entries should not be placed in the Cash columns, serious mistakes may easily arise, and also, unless the entries are very carefully verified, frauds might remain undetected. If the Tabular System be applied to books of first-entry it is important that each of such books should in the first instance be so arranged as to only deal with transactions of a more or less similar class. For example, Goods Bought, Goods Sold, Bills Receivable, Bills Payable, and Cash, may each form a suitable subject for a book of first entry upon Tabular lines; but no two, or more, of these should be combined in the same book. It is all the more important to emphasise this point, because the combination already referred to undoubtedly effects a material saving of clerical labour, which would be extremely advantageous did it not involve even more serious disadvantages.

CHAPTER VII.

STOCK ACCOUNTS, AND STORE ACCOUNTS.

IN some old-fashioned works upon bookkeeping *pro formâ* examples of a merchant's accounts will be found, in which each separate parcel of goods is provided with a separate Ledger Account, which is debited with the cost and credited with the proceeds realised upon the sale of that parcel. With accounts so kept, the gross profit is arrived at by bringing together the credit balances of these various accounts, and the exact manner in which the total gross profit has been earned can be readily perceived. It is safe to say, however, that it is only in very theoretical text-books that anything of the kind can be really attempted. Even if the amount of detailed work involved did not render the cost of carrying out such a system prohibitive, there are very few businesses in which it would be practicable to so earmark the goods bought and sold as to thus keep tally of them from the moment that they came into the place to the moment that they went out again. Some traders who deal in articles of considerable value—*e.g.*, jewellers—are, however, compelled to keep a very strict account of their stock. But although the principle previously described is to some extent followed, no attempt is made to open a separate Ledger Account in respect of each article, the Tabular System being employed instead, which effects an enormous saving of time, and, moreover, enables the actual position of affairs at any time to be more readily appreciated.

But although it is the exception rather than the rule for a strict account to be kept of the various commodities bought, sold, and consumed, in all cases, *some* sort of an account is necessary to avoid waste and to detect leakage. The various plans adopted, suited to the requirements of different undertakings, will be considered in the present chapter.

JEWELLERS' STOCK ACCOUNTS.

It has already been stated that jewellers and others dealing in articles of considerable intrinsic value keep an accurate account of such articles upon the Tabular System. These Stock Accounts form no part of the system of double-entry, but are supplemental thereto, confirming both the Gross Profit and the Stock-in-Hand, and enabling any discrepancies in either to be fully traced. The stock is usually, in the first instance, grouped under convenient general headings, and a separate Stock Book, or a separate section in the same Stock Book, employed for each. A convenient form of ruling is that given overpage, although the special requirements of each business may involve some slight modification.

EXAMPLE :

JEWELLERY STOCK BOOK.

Department...................... From..............190.. to..............190..

Reference No.	Date Purchased	Description of Article	From whom Bought	Invoice Reference	Stock on hand ......19..	Purchases during period	Cost Price of Goods Sold	Day Book Reference	Selling Price of Goods Sold	Stock on hand ......19..
					£ s d	£ s d	£ s d		£ s d	£ s d

The working of this book will, it is thought, be perceived without difficulty. At the commencement of each financial period the amount of Stock-in-Hand (as per inventory) is entered up in detail, the values being extended into the money column provided for that purpose. The purchase invoices are next analysed, and particulars inserted in the "Purchases" column of all additions to stock, reference being made in the column provided for that purpose to the invoice, or to the folio in the Invoice Book. The total of this column for any period should agree with the total Purchases, as shown by the Invoice Book, and in order to check the accuracy of the Stock Book these totals should be agreed at least monthly. Each article as put into stock is provided with a Reference Number (which agrees with the Stock Book number), so that the salesmen can at all times ascertain the cost thereof and where it was purchased. Whenever goods are sold—whether for cash or on credit—the Reference Number is noted in the Cash Sales Book (or the Day Book, as the case may be), and from these books the third and fourth money columns of the Stock Book are compiled. The fourth money column contains the price realised for the goods, and the total of this column should be agreed monthly with the Sales effected. In the third column is inserted the cost price of the goods as sold—that is to say, whenever the selling price of an article is inserted in the fourth column the cost price is simultaneously inserted in the third column. It may be added that this column is not always employed in practice; but it is especially convenient because the difference between the third and fourth columns at any time represents the gross profit on goods sold, and should be capable of exact agreement with the gross profit arrived at from the financial books, while the difference between the first and second columns added together and the third column should at all times equal the cost price of the goods remaining on hand. At the close of the period these differences are extended into the last column, which should agree exactly with the inventory prepared at stocktaking. The more valuable commodities will, of course, require checking much more frequently than the annual stocktaking, and it will be seen that this system lends itself to the stock of the more expensive classes of goods being verified at any time—if necessary, daily.

In every case there will probably be some articles stocked of a comparatively small value, which it is not thought desirable to check in such detail as that described. These will be grouped under convenient descriptions, and all articles of the same description might be marked with the same reference number, provided, of course, their cost and selling prices were the same. In other cases it may be thought sufficient to keep tally in quantities only; but this is not

recommended, as the amount of trouble saved is no compensation for the loss of a direct and absolute check, which is inevitable if there be any material departure from the system of marking each item of the stock with a reference number. If the cheaper items of the same value be grouped, a sufficient abbreviation of the system will be effected to reasonably answer all practical purposes.

CELLAR STOCK BOOKS.

Another class of stock which it is generally desirable to check in full detail is that contained in the cellars of wine merchants, hotel keepers, &c. Here, however, it is not generally either practicable or desirable that the Stock Accounts should deal with money. In the case of wine merchants, the blending and bottling operations would make such calculations a matter of considerable intricacy; while *per contra* the selling price would by no means necessarily be the same to every customer, and would probably vary considerably according to the quantity booked at the time the sale was effected. With hotel keepers the need for a careful check upon the money does not exist in connection with the check upon the stock, in that the same person would never under any circumstances be responsible for both stock and money; while the Gross Profits are not cut so fine as to make it worth while to compile detailed information as to the amount of profit earned upon each bottle sold. Cellar Stock Accounts are accordingly simplified in some respects; but, on the other hand, the transactions are probably very much more numerous, so that greater difficulty arises in checking them with the financial books from time to time. It is best, therefore, to provide a separate column for each day of the month, so that the amount taken out of the cellar upon each day may be separately agreed. The purchases will be much more rare in comparison, and one column per month will therefore suffice, particularly if a Date column be added to facilitate reference. A convenient form of Cellar Stock Book is given opposite:—

EXAMPLE:

Dr. CELLAR STOCK BOOK For the Month of........................190....

Stock on 1st of Month	Purchases		Total	Bin No.	Quantity taken out of Cellar																															Total for Month	Differ-ence	Stock on last of Month
	Date	Quantity			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31			
				* 1 B ½																																		
				2 B ½																																		
				&c.																																		

* Bottles and half-bottles of the same brand are recorded on succeeding lines; for the sake of clearness it is desirable to arrange the "feint" ruling of the book so that the space between the second and third lines is considerably greater than between the first and second, and so on. Thus

BULK STOCK BOOK.

The form of Stock Book on the preceding page relates exclusively to bottles and half-bottles. With regard to liquor kept in bulk, a somewhat different form of book will be found preferable. Here the number of different items of which tally has to be kept is probably not very numerous, while the number of transactions in respect of each item may be considerable. For example, the contents of a butt will not by any means necessarily be completely exhausted before fresh liquor is put into it; and, indeed, it is probable that as a rule such butts would be continuously being replenished, partly with a view to improving the quality and partly with a view to keeping it uniform over an extended period. The Tabular System does not lend itself to the record of transactions of this description, and it is best, therefore, to fall back upon the ordinary old-fashioned Ledger Account, opening a separate account in respect of each butt, debiting it with all quantities put in, and crediting it with all quantities taken out. Additions that are direct purchases may be conveniently entered in black ink (with the necessary reference to the invoice), while additions extracted from other sources already in stock should be inserted in red ink. *Per contra* quantities taken out *not* for immediate sale should be also entered in red ink, the corresponding debit being either to the Ledger Account of another butt, or (if the quantities have been bottled) to the debit side of the Cellar Stock Book; while if the quantities have been sold without being bottled, the entry should be made in black ink and the reference passed to the Day Book. As all the transactions in the present work are dealt with from a bookkeeping point of view, it is unnecessary to more than mention in passing that, wherever blending operations are undertaken, they should be performed by someone entirely trustworthy, so that accurate accounts may be kept of any *increase* in the bulk arising from the addition of water. The stock in bulk can only be actually ascertained by periodical gauging, and as a rule it is not convenient that this should take place at very frequent intervals. The result is that the check upon liquids in bulk is at all times necessarily somewhat incomplete, more especially bearing in mind the fact that a certain amount of wastage must be allowed for on account of evaporation.

BAR STOCKS.

On the other hand, when stock has to be kept of the contents of bars, or other places where bulk is "broken" through the goods being sold by the glass or other measure, no waste ought to occur, as in measuring out liquids full measure is never given, so that at least the whole of the nominal contents of the receptacle ought to be accounted for. These remarks apply even where what is called "full measure" is the custom, because a liquid measure is never absolutely drained, so that the amount that goes out of a liquid measure is never quite so much as its theoretical contents. Liquid stocks thus possess a tangible advantage over solid stocks, which, when sold by weight, must in all cases be slightly over measure, in order to afford the "turn of the scale"; and the smaller the quantities sold at a time, the greater the wastage arising from this cause will be.

With regard to the checking of bar stocks generally, it is not practicable to employ any tabular form of Stock Book, because it is practically impossible to keep a strict account of the price of the various items sold. A far simpler and equally effective method is to take an inventory of the contents of the Bar at frequent intervals, say once a week at least, and to charge up the contents at selling price. Any additions to stock during the week should be added to the original inventory at selling price, and the difference between the figure so arrived at and the selling price valuation of the stock on hand at the end of the week should represent the cash takings of the Bar during the period. It is not usual to discuss any small discrepancies, either one way or the other; but barkeepers who continually show a deficiency of stock are superseded.

GENERAL TRADE STOCKS.

In the preceding paragraph a method of keeping an accurate check upon stock without going into details has been described. This system is, however, only applicable (*a*) Where the selling price never varies. (*b*) Where it is practicable to take stock at comparatively frequent intervals. (*c*) Where wastage is trifling. To the majority of undertakings none of these conditions apply. In most cases the selling price varies to some extent, according to the quantity sold at a time (*e.g.*, dozens are sold at a lower price than single articles), while, again, the amount of stock necessary to carry on a satisfactory trade is frequently so considerable that is is practically impossible to take stock, save at such rare intervals that—for this particular purpose—the stocktaking does not afford a sufficiently immediate safeguard against peculation. Moreover, in many cases the amount of waste necessarily incidental to the trade renders it practically impossible to keep a very strict account of the stock in items. All these considerations, however, so far from removing the necessity for a reliable check, tend to make it of even greater importance, more especially when the business is of such magnitude that the proprietors do not attend personally to every detail. A system that is very general among large traders is that of keeping a check upon the operations of a department by means of statistical accounts, compiled upon the basis of an assumed percentage of Gross Profit. The operations of the business as a whole are split up into "departments," each of which is probably in the hands of a departmental manager, who is entrusted with the purchase of goods for his department, and generally responsible for the results it shows. It is known in advance what Gross Profit *ought* to be earned upon the sales of each department, and very frequently the manager's remuneration depends to some extent upon this percentage being earned. The analysis of purchases and sales into departments has already been explained, and the reader will thus perceive that it is a very simple matter to compile statistical Stock Accounts in connection with each department, either weekly or monthly, as may be preferred. At the commencement of the financial year, the Stock Account starts with the actual ascertained stock, as per the stocktaking of that date. The additions to stock can be ascertained from the purchases analysis. What, however, is not exactly known is the cost price of the goods sold—that is, of the figure that has to be credited to the Stock Account in order that the balance from time to time may show the cost of the goods remaining in stock. The cost price of goods sold may, however, be estimated by deducting from the actual Sales the estimated percentage of Gross Profit, and so long as the Gross Profit actually earned equals this percentage, the statistical accounts will be compiled upon a correct basis, and the stock at the end of the financial period will agree with the actual Stock-in-Hand at that date. Any discrepancy between these two figures will indicate a corresponding inaccuracy in the estimated Gross Profit. That is to say, if the actual stock is less than the estimated stock, the actual Gross Profit must be correspondingly less than the estimate, and *vice versâ*.

It may at first sight appear that there is but little gained by preparing such Stock Accounts at frequent intervals, seeing that they can only be verified when an actual stocktaking takes place. It must be remembered, however, that any inaccuracy in the balance of Stock represents an equal inaccuracy in the balance of Gross Profit, and a careful scrutiny of either will thus enable a check to be kept upon the other. It is not merely in connection with the Gross Profit that a strict check can be kept upon the departmental managers, past experience will have shown the proper ratio of the Stock at any period of the year to the Sales, and any increase in the estimated stock over what is regarded as a fair normal stock at that time of year would be carefully scrutinised. Should the stock at any time appear too heavy, the manager will be closely questioned as to how the increase arose, and it must be borne in mind that it is not open to him to question the accuracy of the estimated figure of stock without throwing an equal doubt upon the question as to whether he is selling the goods of his department at

the proper rate of profit. For example, if three months after stocktaking the stock of a particular department appears to be £500 more than is thought to be necessary, it is not open for the manager to protest that in point of fact his stock is *not* larger than usual, unless at the same time he is prepared to admit that his Gross Profit for the past three months is £500 less than it would have been had he realised the proper percentage of Gross Profit. It will thus be seen that figures compiled upon this basis are of the utmost value to those who have sufficient knowledge of the trade and the circumstances to utilise them to advantage.

It need hardly be stated that these figures, being purely estimates, are kept entirely separate from the financial books. For convenience sake they are usually compiled in tabular form, one set of accounts showing the results of all the departments upon an opening, and another set dealing separately with the accounts of each department, the figures of succeeding years being placed in successive columns, so that the statistics covering an extending period may be conveniently compared. At the foot of each year are inserted in red ink the differences between the estimated results and those shown by the actual stocktaking, so that the information afforded by these statistics may be complete. The following examples show suitable rulings for these purposes. They are, however, of course subject to considerable modification, according to the exact nature of the business carried on.

EXAMPLES: MONTHLY STOCK ACCOUNTS for the Year ended 28th February 1907.

Date		Dept. "A." (10 %)	Dept. "B." (15 %)	Dept. "C." (15 %)	Dept. "D." (10 %)	Dept. "E." (15 %)	Dept. "F." (25 %)	Dept. "G." (8 %)	Dept. "H." (12½ %)
		£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d
1906 Mar. 1	Actual Stock ..	2,000 0 0	6,000 0 0						
31	Purchases	720 0 0	100 0 0						
		2,720 0 0	6,100 0 0						
"	Net Sales ..	500 0 0	300 0 0						
"	Estimated Stock ..	2,220 0 0	5,800 0 0						
	&c. &c.								
1907 Feb. 22	Estimated Stock ..	2,460 0 0	6,270 0 0						
28	Purchases	390 0 0	90 0 0						
		2,850 0 0	6,360 0 0						
"	Net Sales ..	600 0 0	300 0 0						
"	Estimated Stock ..	2,250 0 0	6,060 0 0						
	Actual Stock ..	2,170 0 0	6,075 0 0						
	Difference Over ..	..	15 0 0						
	" Under ..	80 0 0							

MONTHLY DEPARTMENTAL STOCK ACCOUNTS, from 1905-6 to 1908-9, Department "A."
Estimated Gross Profit, 10%.

Date		1905-1906		1906-1907		1907-1908		1908-1909	
		£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d
Mar. 1	Actual Stock	..	1,840 0 0	..	2,000 0 0				
31	Purchases	..	600 0 0	..	720 0 0				
			2,440 0 0		2,720 0 0				
"	Sales	492 0 0	..	555 11 1					
	Less 10 %	49 4 0	442 16 0	55 11 1	500 0 0				
April 1	Estimated Stock	..	1,997 4 0		2,220 0 0				
	&c. to end of year.								

STORES ACCOUNTS.

It is convenient to observe a distinction between the accounts kept as a check upon goods that are bought for the purposes of re-sale (*i.e.*, the stock of traders), and goods that are bought for the purpose of being used in manufacture (*i.e.*, the raw materials, or stores, of manufacturers). The former have been described as "Stock Accounts" and the latter may be conveniently known as "Stores Accounts." To some extent the same general principles apply to both, but with Stores Accounts certain special considerations are involved, in that these accounts are usually required to provide part of the data necessary to compile accurate accounts of the *cost* of manufactured articles. It is necessary, therefore, not merely to be able to keep a check upon the amount of each separate stores in hand, but also to be able to show in a convenient form the amount consumed in respect of each separate contract, or each separate lot of goods or articles manufactured. This latter use of Stores Accounts is fully described in Chap. XIX., which deals with "Cost Accounts," but the particular requirements in connection with the matter will to some extent modify the keeping of the Stores Accounts themselves. Hence the necessity of referring to the subject here.

As a preventive of waste, the chief requirement in connection with Stores Accounts is that they should be kept under as many headings as are necessary to enable each of the various classes of Stores to be separately treated, so that in case of need the value of Stores in hand—as shown by the Stores Account—may be readily verified, without its being necessary to take an inventory of the *whole* of the Stores. For example, in a gas works, a separate account would be kept in respect of "Mains," and in a large concern this would be sub-divided so that each size of main would be kept separately. By this means, if any doubt arises as to the accuracy of the accounts, they can be readily tested by taking an inventory of the amount of that particular commodity in hand; so that any discrepancy disclosed may be traced at the time, instead of it being necessary to wait until it is practicable for stock to be taken of the whole of the stores. This sub-division of the stores under headings has also the very important advantage that the balances of the various Stores Accounts afford an invaluable index of the quantity of materials in stock, so that others may be ordered when those in hand are approaching exhaustion. It may safely be said that the more detailed the sub-division upon these lines the more useful the Stores Accounts will be found to be; but regard must, of course, be had to what is practicable, in view of the expense that an ideally perfect set of accounts would involve.

Enough has been stated to show that the general principle involved is that of recording transfers to the debit of a large number of different jobs, runnings, or contracts, for Stores consumed, from the credit a large number of different classes of Stores; and the most convenient method of recording these transfers will to a great extent depend upon the number of different accounts involved. In all cases the original record of the transfer will be a Requisition, requesting the storekeeper to hand over certain stores, to be charged up to such-and-such accounts. The Requisitions will naturally deal with quantities only, and not with the value of the goods required. As a rule, however, the Stores Accounts will be most conveniently kept in money, although in some cases, as an additional check, they may be advantageously kept in both money and quantity. Under these circumstances much depends upon a suitable form of Requisition. The following is a typical specimen, subject, of course, to modifications to meet the precise requirements of each case:—

EXAMPLE:

THE EUREKA MANUFACTURING CO., LIM.

STORES REQUISITION NO.........

To the Storekeeper. Please supply the following, viz.:—

Stores Ledger Folio	Quantity	Description	Account	Price	Value	Cost Ledger Folio
					£ s d	

To be charged up to contract No............ ....

......................190.... *Superintendent.*

All Requisitions should in the first instance be bound up in carbon manifold books, so that a permanent record may be kept in case the sheet itself should get mislaid or destroyed, and they should be consecutively numbered so that attention may be at once drawn to the absence of one, and inquiries instituted accordingly. These sheets should be priced out and extended by the storekeeper, so that a proper value may be placed upon every commodity issued, and when this portion of the work has been properly checked the work of recording the transfer may be pursued. In some cases it will be sufficient to treat the Requisitions in the same manner as a bank treats its cheques—that is, they may be made to serve as the posting medium to the debit of the work and to the credit of the Stores, without being first recorded in any book of original entry (*cf.* Chap. XVIII.). The Ledger postings will then in each case contain a reference to the number of the Requisition, and the Ledger folios would be put on the latter so as to show that it had been posted to both debit and credit. Where, however, issues of Stores are numerous, this practice would be inconvenient, because it would involve a large number of postings to the Ledger Accounts, whereas it is convenient that the Ledger Accounts should be kept as condensed as practicable in order that the general effect may be more closely followed. Under these circumstances it becomes necessary to either file away the actual slips in the form of a Card Ledger (*q.v.*), or else to employ intermediate Tabular Journals. The following ruling will sufficiently explain what is here intended.

EXAMPLES:

STORES JOURNAL (Credit to Stores Accounts).

No. of Requisition	"A" Account		"B" Account		"C" Account	"D" Account	"E" Account	"F" Account	"G" Account	"H" Account
	Quantity	Value	Quantity	Value						
		£ s d		£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d

STORES JOURNAL (Debit to Contract Accounts).

No. of Requisition	No. 1	No. 2	No. 3	No. 4	No. 5	No. 6	No. 7	No. 8	No. 9	No. 10
	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d

By tabulating the results as before indicated, the number of postings to each account can be limited to one per day, or one per week, as may be found most convenient, while the accuracy of the tabulation can be tested, because the total of the tabulations to the credit of stores for any period should, of course, exactly equal the total of the tabulations to the debit of the various jobs.

It should be explained here that the credit postings are in practice sometimes made in the Storekeeper's Office, and not in the Cost Office. That, however, in no way affects the principle already described, although naturally in such a case it becomes necessary either to multiply copies of the Requisitions so that they are available for both departments, or else for them (or the Journal) to be passed on from one department to the other, so that each may record that part of the transactions which concerns it.

In order that no mistakes may arise through issues of stores being credited to the wrong Stores Account —such a mistake may easily occur, if the clerks entering up the Requisitions do not themselves have the handling of the stores—it is desirable that the storekeeper actually issuing the goods should mark the sheets with a letter or number indicating the exact account affected. A set of rubber stamps will be found very convenient for this purpose.

The debits to the various Stores Accounts are, of course, prepared from the purchases invoices. Care must, however, be taken to see that the totals are agreed at frequent intervals.

In a large works it is sometimes found that the Stores Ledger is duplicated, one being kept by the storekeeper and the other in the office. This is an excellent plan, tending as it does to eliminate all risk of error or fraud.

CHAPTER VIII.

PARTNERSHIP ACCOUNTS.

BOOKKEEPING, as applied to businesses carried on by single persons, records the transactions between—and the relative position of—the business and outside persons, and also of the business and its proprietor. In the case of a partnership there are two or more proprietors, and the bookkeeping has to be modified accordingly. The essential principles, however, remain the same. The excess of the assets over the outside liabilities at any time are still the "Capital" of the business; but as it is desired not merely to keep account of the transactions between the business and outsiders, but also on account of the transactions between the business and its partners, a separate "Capital Account" has to be kept for each partner, which (if the books are correctly and completely written up) will invariably show the amount due to (or from) that partner from (or to) the business.

NATURE OF PARTNERSHIP.

A partnership is defined by the Partnership Act, 1890, as "the relation which subsists between persons "carrying on a business in common with a view of "profit." The exact relationship between the partners is covered by the general law; subject, however, to such modifications thereto as may have been mutually agreed upon. These modifications usually take the form of Articles of Partnership, which are commonly (but not necessarily) under seal. The articles of partnership need not, however, be in writing, and so long as the agreement can be established it is binding on all parties thereto. So far as the accounts are concerned, the principal points in connection with the general law are that each partner is entitled to share equally in the profits of the firm; but before arriving at such profits, interest at the rate of 5 per cent. must be credited to each partner for *loans* made by him to the business with the consent of the other partners, although no interest is payable upon partners' capital. In the absence of an agreement to the contrary, any partner can *at any time* terminate the partnership.

CONDITIONS OF PARTNERSHIP AGREEMENTS.

These general conditions are usually supplemented and varied as follows:—

(1) The amount of Capital to be contributed by each partner is stated, and it is generally provided that such Capital bears interest at the rate of 5 per cent. per annum.

(2) The amount that each partner is entitled to draw periodically on account of profits is stated.

(3) It is provided that proper books of account shall be kept, such as are used among persons carrying on a similar class of business.

(4) That the books shall be kept on the partnership premises, and that all partners shall have access thereto.

(5) It is further provided that once at least in every year, upon a date named, a "general account" shall be made of all the partnership property, showing the exact position of the firm; and that such account when prepared shall be signed by all the partners, and thereupon shall be binding upon them all—save that, if any manifest error is discovered within three months from the date of such signing, it shall be corrected.

(6) The partnership is stated to be for a prescribed term, in which event it can only be determined at an earlier date (*a*) by mutual consent; (*b*) on the happening of some event prescribed by the articles of partnership; (*c*) by the Court for some good cause shown; (*d*) by the death or bankruptcy of one of the partners.

(7) It is usual also to provide for the assessment of the amount to be paid to a retiring partner, or to the representatives of a deceased partner, in respect of Goodwill.

In practice, it frequently happens that disputes arise between partners, or between surviving partners and the representatives of a deceased partner, on account of the insufficiency, or ambiguity, of the

terms of the partnership agreement. It is recommended, therefore, that, in addition to the foregoing, additional clauses should be inserted to the following effect:—

(8) That the firm's accounts shall be periodically audited by a Chartered Accountant. It is desirable where practicable that the name of the Accountant selected should be inserted in the articles of partnership, as then a majority of the partners cannot change the Auditor, although, of course, he can still be changed by the unanimous decision of *all* the partners.

(9) The accounts to be kept upon a proper system of Double Entry, to be approved by the Auditor.

(10) All differences or disputes upon matters of account to be referred to the Auditor, whose decision shall be binding upon all parties.

(11) Provision should be made for the charging of interest upon all drawings in excess of the prescribed amount, and for allowing of interest upon any excess of the authorised drawings over the actual amount withdrawn.

(12) On the death or retirement of a partner it is necessary, under the general law, to take stock and to balance the books in order to ascertain the respective positions of the partners. To avoid the trouble and inconvenience that this would cause, it is generally desirable to insert a clause providing that the share of the outgoing partner in the profits of the current broken period shall be computed upon the average of the three preceding years. A clause to this effect should, however, only be inserted when the profits do not fluctuate considerably, as otherwise serious injustice might be done by excluding the results of the broken period.

(13) The exact *mode* of paying out the outgoing partner should be provided; and, where practicable, this amount should be payable by instalments extending over such a period as not to seriously cripple the business. Or, in the alternative, a policy of "survivorship insurance" should be effected and the cost thereof equitably apportioned between the partners, according to their respective ages and interests.

BALANCING PARTNERSHIP BOOKS.

It is not anticipated that the reader will find any difficulty in preparing the usual accounts from a Trial Balance of the books of the firm, but for the sake of completeness the following example is appended:—

PROBLEM.—Prepare a Profit and Loss Account and Balance Sheet from the following Trial Balance of X. Y. & Co.'s books, extracted at 31st December 1906, covering six months' operations.

TRIAL BALANCE, 31st December 1906.	Dr.	Cr.
	£	£
Cash at Bankers	2,640	
Petty Cash in hand	3	
Sales		16,123
Stock in hand 1st July 1906	2,741	
Returns (Customers' Returns for the half-year)	330	
Discount allowed Customers	938	
Bills Receivable in hand	182	
Sundry Debtors	5,272	
Purchases	8,403	
Discount allowed on Purchases		390
Wages	1,404	
Reserve for Bad and Doubtful Debts		540
,, Discounts on Book Debts		197
Sundry Creditors		1,970
Buildings	4,384	
Patent Rights	50	
Loan on Mortgage		4,500
Rent, Rates, and Taxes	106	
Advertising	463	
Traveller's Salary	431	
Carriage	394	
Bad Debts written off	101	
Plant and Machinery	2,672	
Repairs	84	
C. G.—Capital Account (Balance 1st July 1906)		6,110
C. G.—Drawing Account	1,200	
S. G.—Capital Account (Balance 1st July 1906)		2,952
S. G.—Drawing Account	720	
Interest on Loans	124	
Reserve Account—Patent Royalties received in advance		500
Royalties on Patents attributable to the half-year to 31st December 1896		40
Trade and General Expenses	502	
Depreciation written off Buildings	23	
Depreciation written off Plant, &c.	155	
	£33,322	£33,322

The Stock-in-Trade on hand at 31st December 1906 is valued at £3,275. No interest on Capital or withdrawals is to be provided for.

The profits are to be apportioned as follows:—

C. G., five-eighths: S. G., three-eighths.

Dr. TRADING ACCOUNT for the 6 months ended 31st December 1906. *Cr.*

	£ s d	£ s d		£ s d	£ s d
To Stock, 1st July 1906	..	2,741 0 0	By Sales	16,123 0 0	
" Purchases	..	8,403 0 0	*Less* Returns	330 0 0	
" Carriage	..	394 0 0			15,793 0 0
" Wages	..	1,404 0 0	" Stock, 31st December 1906	..	3,275 0 0
" Gross Profit transferred to Profit and Loss Account	..	6,126 0 0			
		£19,068 0 0			£19,068 0 0

Dr. PROFIT AND LOSS ACCOUNT for the 6 months ended 31st December 1906. *Cr.*

	£ s d	£ s d		£ s d	£ s d
To Rent, Rates, and Taxes	106 0 0		By Gross Profit as per Trading Account	..	6,126 0 0
" Trade and General Expenses ..	502 0 0		" Royalties on Patents	..	40 0 0
" Advertising	463 0 0		" Discounts on Purchases	..	390 0 0
" Traveller's Salary	431 0 0				
		1,502 0 0			
" Repairs	84 0 0				
" Depreciation of Buildings	23 0 0				
" Do. Plant, &c.	155 0 0				
		262 0 0			
" Bad Debts	101 0 0				
" Interest on Loans	124 0 0				
" Discounts allowed	938 0 0				
		1,163 0 0			
" Balance (being Net Profit for the half-year) transferred to Capital Accounts, viz.:—					
C. G., ⅝ths share	2,268 2 6				
S. G., ⅜ths share	1,360 17 6	3,629 0 0			
		£6,556 0 0			£6,556 0 0

BALANCE SHEET, 31st December 1906.

Liabilities.		£ s d	£ s d	*Assets.*	£ s d	£ s d
Capital Account, viz.:—				Buildings, *less* Depreciation	..	4,384 0 0
C. G., Balance 1st July 1906	£6,110 0 0			Plant and Machinery, *less* Depreciation	..	2,672 0 0
Less Drawings ..	1,200 0 0			Patent Rights	..	50 0 0
	4,910 0 0			Stock-in-Trade	..	3,275 0 0
Add Share of Net Profit	2,268 2 6			Bills Receivable	182 0 0	
		7,178 2 6		Sundry Debtors	5,272 0 0	
					5,454 0 0	
S. G., Balance 1st July 1906	£2,952 0 0			*Less* Reserve for Discount and Bad and Doubtful Debts	737 0 0	
Less Drawings ..	720 0 0					4,717 0 0
	2,232 0 0			Cash at Bankers	2,640 0 0	
Add Share of Net Profit	1,360 17 6			Petty Cash in hand	3 0 0	
		3,592 17 6				2,643 0 0
			10,771 0 0			
Loan on Mortgage		..	4,500 0 0			
Sundry Creditors		..	1,970 0 0			
Reserve for Royalties paid in advance ..		..	500 9 0			
			£17,741 0 0			£17,741 0 0

NOTES.—(1) Returns should be deducted, so as to show a net figure of Sales or Purchases. (2) Cash Discounts should appear in the Profit and Loss Account, not in the Trading Account. (3) The item "Royalties" may be a liability; but is more likely to be a source of income, especially as £500 appears to have been received in advance. (4) A special reserve—e.g., for Discount or Bad Debts—should be deducted from the items in respect of which it is made, and not shown as a liability.

ADJUSTING ACCOUNTS KEPT BY SINGLE-ENTRY.

Rather more trouble may be experienced in cases where the books have only been kept by single entry. Under these circumstances the only method of arriving at the profit for the current period is to prepare a "Statement of Assets and Liabilities," which (in normal cases) will show a surplus of assets. This Surplus is the amount of Capital in the business at the date when the statement is prepared, and is consequently the combined capital of the partners as at that date. The balance of each separate partner's Capital Account is arrived at by adding to the above balance the amount drawn out by all the partners during the current period, and the total sum arrived at is the surplus that *would have been* in hand had no moneys been withdrawn. If from this total be deducted the amount standing to the credit of all the partners on Capital Account at the commencement of the period, the difference must be the accretions of capital during the period—*i.e.*, the Net Profit. The following is a simple example, showing clearly how such a problem should be dealt with :—

PROBLEM.—A., B. & C. are partners in the firm of X., Y. & Co., whose books are kept by single-entry. At 30th November 1905 the balance in favour of the firm was £14,080, thus :—

				£
A.	..	..	..	6,080
B.	..	..	..	5,000
C.	..	..	..	3,000
				£14,080

At 30th November 1906 their assets amounted to £47,250, and their liabilities to £33,297, the balance in favour of the firm being thus £13,953.

Profits and losses are divisible as follows: Five-tenths to A., three-tenths to B., and two-tenths to C. Their drawings during the year have been as follows :—

				£
A.	..	..	..	1,207
B.	..	..	..	820
C.	..	..	..	600

What are the amounts at the credit of their accounts respectively at 30th November 1906 after providing interest on capital at 5 per cent.? And show how the amounts are arrived at.

STATEMENT OF AFFAIRS, 30th November 1906.

	£ s d	£ s d		£ s d	£ s d
Sundry Liabilities (specified)	..	33,297 0 0	Sundry Assets (specified)	..	47,250 0 0
Balance down (being Capital of the firm on 30th Nov. 1906)	..	13,953 0 0			
		£47,250 0 0			£47,250 0 0
Capital on 30th Nov. 1905, A...	6,080 0 0		Balance down	..	13,953 0 0
B...	5,000 0 0		Drawings: A.	1,207 0 0	
C...	3,000 0 0	14,080 0 0	B.	820 0 0	
			C.	600 0 0	2,627 0 0
Interest on Capital for the year, A... ..	304 0 0				
B... ..	250 0 0				
C... ..	150 0 0	704 0 0			
Balance (being net profit for the year ended 30th Nov. 1906) A., $\frac{5}{10}$ths share	898 0 0				
B., $\frac{3}{10}$ths "	538 16 0				
C., $\frac{2}{10}$ths "	359 4 0	1,796 0 0			
		£16,580 0 0			£16,580 0 0

Dr. PARTNERS' CAPITAL ACCOUNTS (CONDENSED). *Cr.*

		A	B	C			A	B	C
		£ s d	£ s d	£ s d			£ s d	£ s d	£ s d
1905 Nov. 30	To Drawings	1,207 0 0	820 0 0	600 0 0	1905 Dec. 1	By Balance	6,080 0 0	5,000 0 0	3,000 0 0
"	" Balance down ..	6,075 0 0	4,968 16 0	2,909 4 0	1906 Nov. 30	" Interest on Capital ..	304 0 0	250 0 0	150 0 0
					"	" Share of Profit ..	898 0 0	538 16 0	359 4 0
		£7,282 0 0	£5,788 16 0	£3,509 4 0			£7,282 0 6	£5,788 16 0	£3,509 0
					1906 Dec. 1	By Balance	6,075 0 0	4,968 16 0	2,909 4 0

NOTE.—Results arrived at by single-entry should always be proved as far as possible, as there is not—as in double-entry—any automatic check upon their clerical accuracy. The proof is as follows:—The adjusted Capital Accounts show as balances £6,075 + £4,968 16s. + £2,909 4s. = £13,953. This is the same as the Capital of the firm as a whole, as shown by the Statement of Affairs. The Capital of all the Partners taken together must always equal the Capital of the firm.

As already stated, the practice of keeping books by single entry is never to be recommended, particularly in the case of a partnership; but as the problem frequently arises in practice, it is well to consider an adjustment of Partnership Accounts, in which the circumstances are somewhat more involved than the preceding.

Such a problem is given below, and will well repay careful attention and perusal:—

PROBLEM.—On the 31st December 1901 A.'s liabilities amounted to £2,000, and his assets to £3,500. On the 1st January 1902 he admitted B. into partnership on the terms that A.'s capital was to be agreed at £1,500; that B. should not be called upon to find any capital; that profits should be divided between the partners in the proportions of two-thirds to A. and one-third to B.; that B.'s drawings should be limited to £400 a-year until such time as A. had been paid the premium which it was agreed that he should receive in consideration of the partnership. This premium is fixed at £575, to be paid from year to year out of the excess of B.'s share of profits over his drawings, interest at the rate of 5 per cent. per annum being charged by A. on the balance outstanding from time to time. The firm only kept their books by single-entry, but statements of their assets and liabilities were prepared at the end of each year as follows:—

	Liabilities.	*Assets.*
1902	£3,600	£5,300
1903	2,400	4,000
1904	3,500	5,200
1905	3,200	6,700
1906	3,000	6,000

A.'s drawings during the five years were as follows:—

1902	£725
1903	850
1904	1,000
1905	1,000
1906	1,600

B. only drew out his agreed maximum of £400.

You are required to show (*a*) the Capital Accounts of the partners for the five years, allowing interest at 5 per cent. per annum, and (*b*) a Statement showing the Account between A. and B. in respect of Goodwill.

Dr. STATEMENT OF AFFAIRS (CONDENSED) 1902-6. **Cr.**

	1902	1903	1904	1905	1906
	£ s d	£ s d	£ s d	£ s d	£ s d
Liabilities	3,600 0 0	2,400 0 0	3,500 0 0	3,200 0 0	3,000 0 0
Balance down (being Capital of the firm at close of the year) ..	1,700 0 0	1,600 0 0	1,700 0 0	3,500 0 0	3,000 0 0
£	5,300 0 0	4,000 0 0	5,200 0 0	6,700 0 0	6,000 0 0
Capital of firm at commencement of the year	1,500 0 0	1,700 0 0	1,600 0 0	1,700 0 0	3,500 0 0
Interest on Capital	75 0 0	85 0 0	80 0 0	85 0 0	175 0 0
Balance (being net profit for the year)	1,250 0 0	1,065 0 0	1,420 0 0	3,115 0 0	1,325 0 0
£	2,825 0 0	2,850 0 0	3,100 0 0	4,900 0 0	5,000 0 0
Division of above Profits: *A.* ..	*833 6 8*	*710 0 0*	*946 13 4*	*2,076 13 4*	*883 6 8*
B. ..	*416 13 4*	*355 0 0*	*473 6 8*	*1,038 6 8*	*441 13 4*
£	*1,250 0 0*	*1,065 0 0*	*1,420 0 0*	*3,115 0 0*	*1,325 0 0*

	1902	1903	1904	1905	1906
	£ s d	£ s d	£ s d	£ s d	£ s d
Assets	5,300 0 0	4,000 0 0	5,200 0 0	6,700 0 0	6,000 0 0
£	5,300 0 0	4,000 0 0	5,200 0 0	6,700 0 0	6,000 0 0
Balance down ..	1,700 0 0	1,600 0 0	1,700 0 0	3,500 0 0	3,000 0 0
Drawings: A. ..	725 0 0	850 0 0	1,000 0 0	1,000 0 0	1,600 0 0
Do. B. ..	400 0 0	400 0 0	400 0 0	400 0 0	400 0 0
£	2,825 0 0	2,850 0 0	3,100 0 0	4,900 0 0	5,000 0 0

Dr. "A" CAPITAL ACCOUNT (CONDENSED). **Cr.**

	1902	1903	1904	1905	1906
	£ s d	£ s d	£ s d	£ s d	£ s d
To Drawings ..	725 0 0	850 0 0	1,000 0 0	1,000 0 0	1,600 0 0
" Balance: 31st Dec. ..	1,700 0 0	1,645 0 0	1,700 0 0	3,500 0 0	2,972 18 8
£	2,425 0 0	2,495 0 0	2,700 0 0	4,500 0 0	4,572 18 8

	1902	1903	1904	1905	1906
	£ s d	£ s d	£ s d	£ s d	£ s d
By Balance: 1st Jan. ..	1,500 0 0	1,700 0 0	1,645 0 0	1,700 0 0	3,500 0 0
" Interest on Capital ..	75 0 0	85 0 0	82 5 0	85 0 0	175 0 0
" Share of Profits	833 6 8	710 0 0	946 13 4	2,076 13 4	883 6 8
" Transfer from B. on a/c of Goodwill ..	16 13 4	..	26 1 8	638 6 8	14 12 0
	2,425 0 0	2,495 0 0	2,700 0 0	4,500 0 0	4,572 18 8

Dr. "B" CAPITAL ACCOUNT (CONDENSED). **Cr.**

	1902	1903	1904	1905	1906
	£ s d	£ s d	£ s d	£ s d	£ s d
To Balance: 1st Jan. ..	..	..	45 0 0	..	..
" Drawings ..	400 0 0	400 0 0	400 0 0	400 0 0	400 0 0
" Interest on Overdraft ..	..	..	2 5 0	..	..
" Transfer to A.	16 13 4	..	26 1 8	638 6 8	14 12 0
" Balance: 31st Dec. ..	..	..	..	..	27 1 4
	£416 13 4	400 0 0	473 6 8	1,038 6 8	441 13 4

	1902	1903	1904	1905	1906
	£ s d	£ s d	£ s d	£ s d	£ s d
By Balance: 1st Jan. ..	..	..	..	..	..
" Interest on Capital ..	..	..	..	..	..
" Share of Profits	416 13 4	355 0 0	473 6 8	1,038 6 8	441 13 4
" Balance: 31st Dec. ..	..	45 0 0	..	..	..
	£416 13 4	400 0 0	473 6 8	1,038 6 8	441 13 4

Dr. "B" IN A/c WITH "A" IN RESPECT OF GOODWILL (CONDENSED).* **Cr.**

	1902	1903	1904	1905	1906
	£ s d	£ s d	£ s d	£ s d	£ s d
To agreed Premium	575 0 0	..	..	..	..
" Balance: 1st Jan. ..	..	587 1 8	616 8 10	621 3 7	13 18 1
" Interest for the year	28 15 0	29 7 2	30 16 5	31 1 2	0 13 11
	£603 15 0	616 8 10	647 5 3	652 4 9	14 12 0

	1902	1903	1904	1905	1906
	£ s d	£ s d	£ s d	£ s d	£ s
By Amount credited as paid on account ..	16 13 4	..	26 1 8	638 6 8	14 12
" Balance: 31st Dec. ..	587 1 8	616 8 10	621 3 7	13 18 1	..
	£603 15 0	616 8 10	647 5 3	652 4 9	14 12 0

NOTE.—These Problems are rather troublesome to solve, as the smallest error vitiates the figures of every subsequent year. It is best, therefore, to complete the Statement of Affairs for the whole period before attempting to compile the Capital Accounts of the various partners: these should then be compiled, taking care to see that the closing balances added together agree each year with the total capital of the firm, as shown in the Statement of Affairs.

* It must be clearly understood that this Account cannot be included in the books of the firm, which show the relation of each partner to the business but *not* the relations of the partners *inter se*. The Account must, however, be compiled as a memorandum, in order to know the amount due from B. to A. in respect of Goodwill from time to time and also when the whole amount is cleared off.

DISSOLUTION OF PARTNERSHIP.

It is, however, chiefly in connection with Dissolutions that problems most distinctive of this particular class of accounts arise. Accounts upon a dissolution of partnership may require adjustment in one of two ways:—

(*a*) One, or more, of the partners may continue the business, and pay out the retiring partner, or partners, or the personal representatives of a deceased partner.

(*b*) The assets of the firm may have to be realised, and—after payment of the firm's debts—the surplus distributed among the partners, or the personal representatives of deceased partners, in proportion to their respective interests. It may be noticed here that a surviving partner can mortgage or sell partnership real estate for the purposes of the business, and the mortgagee or purchaser is not concerned to see to the application of the money unless he has notice that it is going to be used for an improper purpose. *Bourne v. Bourne* (1906, 2 Ch. 427.) The same case decided that the equitable mortgagee of a surviving partner by deposit of the title deeds of partnership real estate has priority over the lien of a deceased partner's executors on the same deeds for his share of the partnership assets.

PAYING OUT RETIRING (OR DECEASED) PARTNER.

The first problem is for many reasons the simpler. The outgoing partner is then paid such sum as may have been agreed upon, the payment being either in cash or spread over a period. The continuing partners will probably continue to use the books of the firm, and it then becomes necessary to consider the entries that require to be made in these books to adjust them to the altered position of affairs.

The following example shows alternative methods of dealing with this problem:—

PROBLEM.—On the 31st December 1906 the Balance Sheet of A. and B. stood as follows:—

BALANCE SHEET, 31st December 1906.

Liabilities.	£ s d	*Assets.*	£ s d
A. Capital Account	1,500 0 0	Premises	250 0 0
B. do. do.	1,000 0 0	Stock	200 0 0
Sundry Creditors	500 0 0	Sundry Debtors	2,000 0 0
		Cash	550 0 0
	£3,000 0 0		£3,000 0 0

A. buys out B., agreeing to pay him £1,600 for his share of the assets and goodwill of the business as it stands, £400 being paid at once, and the balance to be paid in three months' time.

You are required to show the Balance Sheet of A. as at 1st January 1907 (after the transaction has been carried through), and also the Capital Accounts of A. and B.

Dr. "A." CAPITAL ACCOUNT. *Cr.*

		£ s d			£ s d
1906 Dec. 31	To Balance down	2,100 0 0	1906 Dec. 31	By Balance	1,500 0 0
			"	" Goodwill	600 0 0
		£2,100 0 0			£2,100 0 0
			1907 Jan. 1	By Balance	2,100 0 0

Dr. "B." CAPITAL ACCOUNT. *Cr.*

		£ s d			£ s d
1906 Dec. 31	To Transfer to "B." Account	1,600 0 0	1906 Dec. 31	By Balance	1,000 0 0
			"	" Goodwill	600 0 0
		£1,600 0 0			£1,600 0 0

Dr. "B." Cr.

		£ s d			£ s d
1906 Dec. 31	To Cash	400 0 0	1906 Dec. 31	By Transfer from "B." Capital Account..	1,600 0 0
"	" Balance down	1,200 0 0			
		£1,600 0 0			£1,600 0 0
			1907 Jan. 1	By Balance	1,200 0 0

BALANCE SHEET, 1st January 1907.

Liabilities.	£ s d	*Assets.*	£ s d
"A." Capital Account	2,100 0 0	Goodwill	1,200 0 0
"B."	1,200 0 0	Premises	250 0 0
Sundry Creditors	500 0 0	Stock	200 0 0
		Sundry Debtors	2,000 0 0
		Cash	150 0 0
	£3,800 0 0		£3,800 0 0

NOTE.—If preferred, the Goodwill Account might be written off, reducing "A.'s" Capital Account to £900. A shorter way of recording the transaction is to credit "B." with £600 (the amount required to adjust the balance of his account with the agreed purchase-price), and debit "A.'s" Capital Account with the same amount. No Goodwill Account will then be required.

TRANSFER OF BUSINESS.

Closely allied with the foregoing is the case of a sole trader selling his business as it stands to another, who wishes to continue using the same books. This problem is perfectly simple, if it be borne in mind that the Capital Account of the outgoing proprietor *primâ facie* shows the amount due to him from the business. If necessary, the balance of that account must be adjusted, so as to agree with the purchase-price that the vendor is about to receive; and, the sale being effected, the account remains open in the Ledger until the purchase-price has been actually paid. But from the date of the sale it, of course, ceases to be a "Capital" Account, the late proprietor now becoming merely a creditor of the business. The following example makes this position of affairs clear:—

PROBLEM.—On the 31st December 1906 A. D. prepared a Balance Sheet of his business as follows:—

BALANCE SHEET, 31st December 1906.

Liabilities.	£ s d	*Assets.*	£ s d
A. D. Capital Account	1,000 0 0	Premises	200 0 0
Sundry Creditors	500 0 0	Stock	300 0 0
		Book Debts	900 0 0
		Cash at Bank	100 0 0
	£1,500 0 0		£1,500 0 0

On the 1st January 1907 he transferred the business to his son C. D., who paid him £400 for the Goodwill, Premises, and Stock, and agreed to discharge the liabilities, and to collect and account for the Book Debts, subject to a commission of 2½ per cent. The balance at Bank was retained by the father. C. D. opened a new Bank Account with a balance of £1,000, out of which he paid the £400 premium to his father. He decided to continue using the same books.

You are required to show (1) C. D.'s starting Balance Sheet, after the transfer had been effected and the premium paid, (2) C. D.'s Capital Account, and (3) the closing of the Capital Account of A. D.

BALANCE SHEET, 1st January 1907.

Liabilities.	£ s d	*Assets.*	£ s d
C. D., Capital Account ..	1,000 0 0	Goodwill ..	400 0 0
A. D. (in respect of Book Debts) ..	900 0 0	Premises ..	200 0 0
Sundry Creditors ..	500 0 0	Stock ..	300 0 0
		Book Debts ..	900 0 0
		Cash at Bank ..	600 0 0
	£2,400 0 0		£2,400 0 0

Dr. C. D.—CAPITAL ACCOUNT. *Cr.*

					£ s d
			1907 Jan. 1	By Cash ..	1,000 0 0

Dr. A. D.—CAPITAL ACCOUNT. *Cr.*

		£ s d			£ s d
1907 Jan. 1	To Cash ..	100 0 0	1906 Dec. 31	By Balance ..	1,000 0 0
"	" do. per C. D. ..	400 0 0	1907 Jan. 1	" Goodwill ..	400 0 0
"	" Balance transferred to A. D. Account ..	900 0 0			
		£1,400 0 0			£1,400 0 0

Dr. A. D. *Cr.*

					£ s d
			1907 Jan. 1	By Balance from A. D. Capital Account ..	900 0 0

NOTE.—The taking over of the liabilities is exactly balanced by the taking over of the Premises and Stock, the £400 is thus paid entirely in respect of Goodwill. If it is preferred not to open a Goodwill Account, the £400 must be debited to C. D.'s Capital Account, reducing the balance to £600. It is best not to anticipate the 2½ per cent. Commission on the realisation of Book Debts, but to debit it to A. D.'s Account as and when remittances on account are made.

REALISATION ACCOUNTS.

The method of closing the books and adjusting the Capital Accounts of the various partners when the business is discontinued and the assets realised, is shown in the next example. It should be stated, however, that in practice the Bought and Sold Ledgers would probably be discontinued as from the date of dissolution. If the Private Ledger is "self-balancing," the balances outstanding on the Sales Ledger Account, and the Bought Ledger Account respectively at the date of the dissolution would be brought down in full detail, instead of being in total only, so that the payment of the creditors and the realisation of the book debts might be perceived from a perusal of the Private Ledger alone. Or, if these creditors and debtors are very numerous, the better plan would be to adhere to the system of totals in the Private Ledger and to supplement the Adjustment Account by new Tabular Ledgers for creditors and debtors respectively, ruled in the form shown on the following page.

Ledger Folio	Name	Address	Ledger Balance	Date Paid	C.B. Folio	Cash	Discounts and Allowances	Remarks
			£ s d			£ s d	£ s d	

It will be perceived that the "Realisation Account" shown in the following example is for all practical purposes upon the same lines as an ordinary Profit and Loss Account. Often, however, the method is adopted of transferring the balance standing upon all the various assets' accounts to the debit of the Realisation Account as at the date of the dissolution. These assets' accounts are thus closed at once, and the cash realised on the disposal of the various assets is then posted direct to the credit of the Realisation Account. This last-named method is preferable where only a comparatively small number of accounts are involved, and is therefore specially suitable for problems arising at examinations. Whichever method be adopted, however, the balance of the Realisation Account will be the same—viz., loss (or profit) on the realisation—and this balance must be transferred to the Capital Accounts of the various partners; each partner bearing his share of the loss (or profit) in the proportions that may have been already agreed.

The general rule as to profits and losses is laid down in Section 24 (1) of the Partnership Act, 1890: "All the partners are entitled to share equally in the "capital and profits of the business, and must con-"tribute equally towards the losses, whether of "capital or otherwise, sustained by the firm." All that the rule means is that there is no necessary connection between the proportions in which capital is contributed and that of profit and loss, and that, therefore, *primâ facie*, partners share profits and bear losses equally, notwithstanding that the capital contributed by each may not be equal. (See A. Underhill, Principles of the Law of Partnership, 2nd Edition, 1906.) In the absence of a special agreement to the contrary, all partners share both profits and losses equally, quite irrespective of the amount of capital standing to their credit; but if it has been agreed that profits are to be shared in any other proportion, partnership losses must be borne in the same proportion as profits were to have been, unless there is a special agreement that they are to be borne in a different proportion.

The following example shows in full the entries necessary to close the books of a firm and adjust the accounts of the various partners:—

PROBLEM.—J., H., and B. are partners; their interests in the profits of the firm are one-half, three-eighths, and one-eighth respectively. On December 31 1906 the partnership terminates, and the Balance Sheet is as follows:—

BALANCE SHEET, 31st December 1906.

Liabilities.	£	*Assets.*	£
Sundry Creditors	3,550	Cash at Bankers	250
J., Capital Account	3,500	Bills Receivable	300
H., Capital Account	1,500	Book Debts	6,000
B. Capital Account	1,000	Stock	1,000
		Lease	500
		Plant and Machinery	1,500
	£9,550		£9,550

On June 30th 1907, when the affairs of the firm have liquidated, it is found that the assets have realised £400 less than the values on the Balance Sheet of December 31 1906, viz., Book Debts, £100 less; Lease, £150 less; and Plant and Machinery, £150 less.

The expenses of winding-up the business amount to £90, and the partners are entitled to interest at 5 per cent. per annum upon their Capital Accounts. Show how to close the books at June 30 1907, giving each partner's account, with the balance ultimately found to be payable to him.

Dr. **CASH AT BANKERS.** Cr.

1907		£ s d	1907		£ s d
Jan. 1	To Balance	250 0 0	June 30	By Creditors	3,550 0 0
June 30	" Bills Receivable	300 0 0	"	" Liquidation Expenses	90 0 0
"	" Book Debts	5,900 0 0	"	" Balance down	5,510 0 0
"	" Stock	1,000 0 0			
"	" Lease	350 0 0			
"	" Plant, &c.	1,350 0 0			
		£9,150 0 0			£9,150 0 0
July 1	To Balance down	5,510 0 0			

Dr. **REALISATION ACCOUNT.** Cr.

1907		£ s d	1907			£ s d
June 30	To Loss on Book Debts	100 0 0	June 30	By Loss on Realisation, transferred to—		
"	" do. Lease	150 0 0		J.	£320	
"	" do. Plant, &c.	150 0 0		H.	240	
"	" Cash, Liquidation Expenses	90 0 0		B.	80	640 0 0
"	" Interest, J.	87 10 0				
"	" do. H.	37 10 0				
"	" do. B.	25 0 0				
		£640 0 0				£640 0 0

Dr. **J. (CAPITAL ACCOUNT).** Cr.

1907		£ s d	1907		£ s d
June 30	To Realisation Account—Loss	320 0 0	Jan. 1	By Balance	3,500 0 0
"	" Balance down	3,267 10 0	June 30	" Interest	87 10 0
		£3,587 10 0			£3,587 10 0
			July 1	By Balance down	3,267 10 0

Dr. **H. (CAPITAL ACCOUNT).** Cr.

1907		£ s d	1907		£ s d
June 30	To Realisation Account—Loss	240 0 0	Jan. 1	By Balance	1,500 0 0
"	" Balance down	1,297 10 0	June 30	" Interest	37 10 0
		£1,537 10 0			£1,537 10 0
			July 1	By Balance down	1,297 10 0

Dr. **B. (CAPITAL ACCOUNT).** Cr.

1907		£ s d	1907		£ s d
June 30	To Realisation Account—Loss	80 0 0	Jan. 1	By Balance	1,000 0 0
"	" Balance down	945 0 0	June 30	" Interest	25 0 0
		£1,025 0 0			£1,025 0 0
			July 1	By Balance down	945 0 0

Dr. **BILLS RECEIVABLE.** Cr.

1907		£ s d	1907		£ s d
Jan. 1	To Balance	300 0 0	June 30	By Cash	300 0 0

Dr. SUNDRY CREDITORS. **Cr.**

		£ s d			£ s d
1907 June 30	To Cash	3,550 0 0	1907 Jan. 1	By Balance	3,550 0 0

Dr. BOOK DEBTS. **Cr.**

		£ s d			£ s d
1907 Jan. 1	To Balance	6,000 0 0	1907 June 30	By Cash	5,900 0 0
			"	" Realisation Account	100 0 0
		£6,000 0 0			£6,000 0 0

Dr. STOCK. **Cr.**

		£ s d			£ s d
1907 Jan. 1	To Balance	1,000 0 0	1907 June 30	By Cash	1,000 0 0

Dr. LEASE. **Cr.**

		£ s d			£ s d
1907 Jan. 1	To Balance	500 0 0	1907 June 30	By Cash	350 0 0
			"	" Realisation Account	150 0 0
		£500 0 0			£500 0 0

Dr. PLANT AND MACHINERY. **Cr.**

		£ s d			£ s d
1907 Jan. 1	To Balance	1,500 0 0	1907 June 30	By Cash	1,350 0 0
			"	" Realisation Account	150 0 0
		£1,500 0 0			£1,500 0 0

NOTE.—Interest upon Capital is not payable after the date of dissolution, save by special arrangement; but the wording of the problem suggests the existence of such a special arrangement between the partners.

When one partner of a firm in process of dissolution is insolvent, the position becomes slightly more complicated. If there be only two partners, and the Capital Account of one is overdrawn and he is unable to bring into the partnership the amount of such deficiency, it becomes necessary for the solvent partner to bring in such further moneys as may be required to pay the debts of the firm, and he would be entitled to claim against the estate of the insolvent partner for the additional amount so brought in by him, as well as for the balance standing to the debit of the insolvent partner's Capital Account; but, of

course, he would not be able to rank for dividend in competition with the creditors of that partner's separate estate. (See, however, on this point *In re Head* [1894], 1 Q.B. 638.) When a firm consists of three or more partners, the position becomes further complicated in the event of the insolvency of one, and the position then obtaining will be best explained by the aid of the following:—

PROBLEM.—A., B., and C. went into partnership under an agreement that the Capital of the business should be contributed by them in certain unequal shares, but that the profits should be divided equally. Upon a dissolution, after satisfying all liabilities to Creditors, the position was as follows:—

BALANCE SHEET.

Liabilities.	£	s	d	*Assets.*	£	s	d
A., Capital	2,500	0	0	Cash	1,916	0	0
B., ,, ...	314	0	0	C., Capital overdrawn	263	0	0
				Deficit	635	0	0
	£2,814	0	0		£2,814	0	0

C. is insolvent, and thus quite unable to make good his share of the deficit. How should the cash balance be divided?

A., B. and C. are each liable to contribute £211 13s. 4d. (*i.e.* one third of the deficit); A. and B. are in a position to contribute their respective shares, but C—being insolvent—is not. The balance of Cash will thus be increased to £2,339 6s. 8d., which will be available for distribution between A. and B. *pro rata*, according to their respective Capitals. *Prima facie* their respective Capitals will be determined by the articles of partnership, but these may have been varied by mutual consent: if it has been the practice (as is frequently the case) to debit drawings and credit profits to Capital and to carry forward the resultant balance, then the last Balance Sheet agreed to by all the partners will determine their respective Capitals. (*Garner v. Murray* [1904], 1 Ch. 57.)

NOTE.—In the 7th Edition of "*Lindley on Partnership*" (1905, *pp.* 645-6) *this case is compared with the following case:—If the true meaning of the partners is that* "*all debts shall be paid out of the assets, and that any surplus assets* "*remaining after payment of debts shall be divided between the partners in proportion to their interest therein or to their* "*capitals, effect must be given to such an agreement, and those partners who agree to bring in most capital will lose most.*" *(See Wood v. Scoles,* 1 *Ch.* 369; *Eclipse Gold Mining Co.,* 17 *Eq.* 490; *and Holy Gold Mining Co., Ir. Rep.* 3 *Eq.* 208).

ORDER OF DISTRIBUTION OF ASSETS.

Another point that must be carefully borne in mind is the provision contained in the Partnership Act, 1890, as to the *order* in which the proceeds of the various assets are to be applied, in the event of a dissolution. This order is as follows:—

(1) In payment of the debts and liabilities of the firm to outside creditors.

(2) In payment to each partner rateably of amounts *lent* by him to the firm (if any), as distinguished from Capital.

(3) In payment to each partner rateably of the Capital due to him from the firm.

(4) The surplus (if any) to be divided in the same proportion as profits are divisible.

This rule sometimes gives rise to the misconception that, in the event of a deficiency of assets, those partners who have advanced money to the firm have a preferential claim upon all assets remaining after the outside creditors have been satisfied, and that in the event of there not remaining sufficient to repay capital in full the balance must be applied in the form of a dividend of so much in the £ upon the capital contributed by each partner. As a matter of fact, this view is quite incorrect. Partners are liable to make good *inter se* whatever losses have been incurred by the partnership. If the assets are not sufficient to repay capital, as well as loans and outside creditors, there must necessarily have been a loss, and each partner is liable to repay to the firm his share of such loss. As a matter of fact, however, it is not usual to require each partner to find his share in cash, and then to refund him the whole of his capital intact; what is done is to debit each partner's *account* with his proportion of the loss, and only to ask him for a further contribution in the event of his Capital Account (when so adjusted) showing a debit balance.

In the following example the Capital Account of one of the partners shows a debit balance, which is made good by a transfer from his Loan Account. This example is included, as showing that the order of distribution stated in the Partnership Act, 1890, has under some circumstances the effect that one partner may find that he does not receive back even his loans in full, while another may receive back not only his loans, but also a portion of his capital. The golden rule to be observed in all these cases is that, in order to adjust the accounts of the various partners, *it is invariably necessary to ascertain the final balance of profit (or loss) up to the date of distribution, and to credit (or debit) each partner with his respective share, in the proportions in which it has been agreed that profits (or losses) are to be borne.* This is entirely irrespective of the amount of capital, or loans, that each partner may have put into the business. When, however, the partner whose account is in debit *cannot* pay what he owes to the firm, the rule in *Garner v. Murray* (p. 67) applies.

PROBLEM.—A. and B. are partners sharing profits equally. Their capital, as it appears in the books of the partnership on the 30th June 1906 (the date on which they dissolve partnership), is A. £2,000 and B. £500. The total amount owing by the firm is £5,000, which includes £1,000 due to A. on Loan Account, and £500 due to B. on Loan Account. The whole of the assets of the firm realised £6,000.

Prepare accounts closing up the partnership, and show the position in which the partners stand with each other.

On the facts stated the Balance Sheet of the firm must have been as follows:—

BALANCE SHEET 30th June 1906.

Liabilities.	£	s	d	*Assets.*	£	s	d
A., Capital Account	2,000	0	0	Miscellaneous Assets	7,500	0	0
B., Do.	500	0	0				
A., Loan Account	1,000	0	0				
B., Do.	500	0	0				
Sundry Creditors	3,500	0	0				
	£7,500	0	0		£7,500	0	0

The Ledger Accounts then appear as under:—

Dr. REALISATION ACCOUNT. *Cr.*

Date	Particulars	£ s d	Date	Particulars		£ s d
1906 June 30	To Amount of Assets at this date as per books ..	7,500 0 0	1906 July 1	By Cash, total amount realised on Assets ..		6,000 0 0
			"	" Loss, apportioned thus:—		
				A.	£750 0 0	
				B.	750 0 0	
						1,500 0 0
		£7,500 0 0				£7,500 0 0

Dr. SUNDRY CREDITORS. *Cr.*

Date	Particulars	£ s d	Date	Particulars	£ s d
1906 July 1	To Cash	£3,500 0 0	1906 June 30	By Amount as per Balance Sheet	£3,500 0 0

Dr. A. (LOAN ACCOUNT). *Cr.*

Date	Particulars	£ s d	Date	Particulars	£ s d
1906 July 1	To Cash	£1,000 0 0	1906 June 30	By Amount as per Balance Sheet	£1,000 0 0

Dr. B. (LOAN ACCOUNT). *Cr.*

Date	Particulars	£ s d	Date	Particulars	£ s d
1906 July 1	To Transfer from Capital Account	250 0 0	1906 June 30	By Amount as per Balance Sheet	500 0 0
"	" Cash	250 0 0			
		£500 0 0			£500 0 0

Dr. A. (CAPITAL ACCOUNT). *Cr.*

Date	Particulars	£ s d	Date	Particulars	£ s d
1906 July 1	To Share of Loss	750 0 0	1906 June 30	By Amount as per Balance Sheet	2,000 0 0
"	" Cash	1,250 0 0			
		£2,000 0 0			£2,000 0 0

Dr. B. (CAPITAL ACCOUNT). *Cr.*

Date	Particulars	£ s d	Date	Particulars	£ s d
1906 July 1	To Share of Loss	750 0 0	1906 June 30	By Amount as per Balance Sheet	500 0 0
			July 1	" Transfer to Loan Account, being deficiency of Capital which B. is liable to make good	250 0 0
		£750 0 0			£750 0 0

Dr. CASH. CONTRA. *Cr.*

Date	Particulars	£ s d	Date	Particulars	£ s d
1906 July 1	To Proceeds of realisation	6,000 0 0	1906 July 1	By Sundry Creditors	3,500 0 0
			"	" A. (Loan Account)..	1,000 0 0
			"	" B. (Balance of Loan Account)	250 0 0
			"	" A. (Capital Account)	1,250 0 0
		£6,000 0 0			£6,000 0 0

NOTE.—For convenience it has been assumed that the realisation of the estate was completed on 1st July 1906.

PAYMENTS ON ACCOUNT.

When the whole of a partnership estate can be realised before it becomes necessary to make any payments on account to the several partners, unquestionably the simplest course to pursue is to proceed upon the lines already explained, and ascertain the exact amount of each partner's interest in the firm before making *any* payment to him. By this means all risk of over-paying a partner can be avoided. Occasionally, however, the necessity of making payments on account will arise, and the rule in such cases will be readily seen from the following:—

PROBLEM.—A., B., and C., entered into partnership on the terms that A. was to have a half-share of profits, and B. and C. a one-fourth share each. On the partnership being dissolved, the position of affairs was as follows:—

BALANCE SHEET, 31st December 1906.

Liabilities.		£ s d	*Assets.*	£ s d
A., Capital	£1,000 0 0		Miscellaneous Assets	4,000 0 0
B., ,, ...	1,000 0 0			
C., ,, ...	600 0 0			
		2,600 0 0		
Creditors		1,400 0 0		
		£4,000 0 0		£4,000 0 0

The Assets realised £3,400, which was received in instalments, as follows:—£1,400; £1,000; £1,000.

How should the proceeds of the Assets be applied, as and when received?

In the first instance the outside creditors should be paid off, and the first instalment of £1,400 exactly suffices for this purpose, all subsequent receipts are therefore available for distribution among the partners *inter se*. It will be observed, however, that the partners' Capitals do not stand in the same ratio as their respective interests in the profits of the firm. The first moneys distributed must therefore be applied in *reducing the Capitals of those partners which are in excess* until they stand in the ratios of

A. two parts,
B. one part,
C. one part.

To enable this to be done £500 must be paid to B. and £100 to C. before anything can be returned to A. The second instalment of £1,000 will thus be applied as follows:—

£500 to B., and £100 to C.; after which the remaining £400 can be divided—£200 to A., £100 to B., and £100 to C. At this stage, therefore, there will remain £800 to the credit of A., £400 to the credit of B., and £400 to the credit of C., the Capital Accounts being now in the proper ratios.

The last instalment of £1,000 may *then* be distributed in the same proportions as profits, namely—

£500 to A.,
£250 to B.,
£250 to C.

There will then still remain £300 to the credit of A., £150 to the credit B., and £150 to the credit of C.; and as no further assets remain to be realised, these amounts represent the losses respectively sustained by the partners, which, it will be seen, are in the correct ratios.

It may be noted here that a partner, who is appointed receiver of the partnership assets by the Court on the usual terms, is entitled to be paid his remuneration and costs as receiver out of the funds in his hands as receiver, although as a partner he is indebted to the partnership and is unable to pay what he owes (*Davy v. Scarth* [1906], 1 Ch. 55).

CALCULATION OF INTEREST.

When, on a dissolution, one partner goes out and another continues the business, the question of interest frequently arises in practice, although (in the absence of a special agreement) all calculation of interest as a rule ceases at the date of dissolution (see *Barfield v. Loughborough*, L.R. 8 Ch. 1, and *Bouville v. Bouville*, 35 Beav. 129), even if the partnership articles provide for interest on capital. When the continuing partner also continues the old books, the adjustment of this problem can usually be best effected by raising an Account Current *outside* the books altogether.

The following example will show what is meant better than any general explanation:—

PROBLEM.—M. & N., being equal partners, agree to dissolve as from 31st December 1905, and the following is their position:—

They owe Creditors £960, they have Debtors £3,600, and Office effects £200. M. is to realise the debts, to pay the liabilities, to take over the office effects at £180, to allow N. £500 for his share of goodwill, and to pay him his proportion as realised. The debts realise less by £80, and after payment of creditors they are realised at an average date of six months from the date of dissolution. M. pays N. £1,000 at the end of three months, and the balance at the end of twelve months, with interest at 5 per cent. per annum.

What must he then pay?

Dr. N. IN A/C WITH M. *Cr.*

		Interest	Cash			Interest	Cash
1906		£ s d	£ s d	1906		£ s d	£ s d
Mar. 31	To Cash	37 10 0	1,000 0 0	Jan. 1	By Half-Share of Office Effects taken over by M. at £180	4 10 0	90 0 0
Dec. 31	" Balance of Interest	24 0 0		"	" Half-Share of Goodwill	25 0 0	500 0 0
"	" Balance down (being amount due to N., including Interest)	..	894 0 0	June 30	" Half-Share of proceeds of Book-Debts, less amount due to Creditors (£3,520 —960 = £2,560)	32 0 0	1,280 0 0
				Dec. 31	" Interest to date	..	24 0 0
		£61 10 0	£1,894 0 0			£61 10 0	£1,894 0 0
				1907 Jan. 1	By Balance down	..	894 0 0

An alternative method of calculating Interest is by products, as follows:—

Dr. N. IN A/C WITH M. *Cr.*

		No. of Days	Products	£ s d			No. of Days	Products	£ s d
1906					1906				
Mar. 31	To Cash	275	275,000	1,000 0 0	Jan. 1	By Half-Share of Office Effects, taken over by M. at £180	365	32,850	90 0 0
"	" Balance of Products	..	175,870		"	" Half-Share of Goodwill	365	182,500	500 0 0
					June 30	" Half-Share of proceeds of Book Debts, *less* amount due to Creditors	184	235,520	1,280 0 0
			450,870					450,870	
Dec. 31	" Balance (due from M. to N.)	..	..	894 1 9	Dec. 31	" Interest (175,870 ÷ 7,300)	..	..	24 9
				£1894 1 9					£1,894 1 9
					1907 Jan. 1	By Balance down	..	..	894 1 9

NOTE. (1) It will be observed that there is a difference of 1s. 9d. in the Interest between the two methods; this is because the calculation is by months under the first method and by days under the second. (2) The rule for finding the proper divisor under the second method is to multiply the number of days in the year by 100, and then divide by the rate of interest employed $\left(\frac{365 \times 100}{5} = 7{,}300\right)$.

AVERAGE DUE DATE.

The problem just considered suggests that, of the numerous items making up the debts received and the liabilities paid, the "average date" of settlement was the 30th June 1906. This question of average due date frequently arises in connection with interest calculations, as affording in many instances by far the simplest method of computing the actual amount of interest to be taken into account. The present seems therefore a suitable opportunity for explaining how such calculations are made.

For the sake of simplicity, only a limited number of items will be assumed. Let us suppose that the Book Debts collected are made up as follows:—

1906		£	
April	10	1,000	
"		120	
July	19	1,400	
Sept.	2	1,000	
			£3,520

and that the liabilities paid consist of the following items:—

1906		£	
March	21	100	
April	11	260	
May	15	300	
Nov.	26	300	
			£960

The rule to adopt is as follows:—Take any convenient date (preferably one of the dates recorded in the example), multiply each amount by the number of days intervening between the date selected and the date of that item. Add the products together, and divide by the total of the original amounts. The result will be the number of days between the average date and the date originally selected, so that the latter can by this means be readily ascertained. Having thus ascertained independently the average date of receiving the book debts, and the average date of discharging the liabilities, the combined average may be obtained in the same manner; save that the date selected must be one different from either average date, and the products must be deducted instead of added together, and then divided by the difference between the average amounts. The full working is shown below, which (combined with the above description) will make the method of procedure clear.

Working from the 31st December 1905—

```
£1000 × 100 = £100000
  120 × 101 =   12120
 1400 × 200 =  280000
 1000 × 245 =  245000
£3520       ) £637120 (181 = 30 June
                3520
               28512
               28160
                 3520
                 3520
                 ....

£100 × 80  = £8000
 260 × 101 = 26260
 300 × 135 = 40500
 300 × 330 = 99000
£960       ) £173670 (181 = 30 June
               960
              7776
              7680
               960
               960
               ...
```

The shortest way of ascertaining a "combined" average date is as follows:—

```
£3520      £637120
  960       173760
£2560    ) £463360 (181 = 30 June
             2560
            20736
            20480
             2560
             2560
              ...
```

CHAPTER IX.

COMPANY ACCOUNTS.

It is proposed in the present chapter to consider those problems in accounting which are peculiar to companies registered under the Companies Acts, 1862 to 1900, or incorporated by special Act of Parliament. The treatment of companies' accounts in other respects is dealt with elsewhere, and with a few obvious exceptions all the chapters in this work apply to the accounts of companies as much as to those of other undertakings. Speaking generally, for the purposes of the present chapter, the books of companies may be divided into two sections—viz., those that deal with the detailed accounts of the various shareholders and debenture-holders, and those that deal with the ordinary financial transactions of the undertaking. As, however, these two sections to some extent record the same transactions (although from different points of view), it will be convenient, when dealing with each particular problem, to first explain the method of recording it in the financial books, and afterwards those entries which are necessary in the subsidiary Share Books.

ISSUE OF CAPITAL.

In the nature of things one of the earliest transactions upon which a company embarks is the issue of capital. The term "Capital," properly speaking, can be applied only to Shares; but inasmuch as the entries in respect of the issue of Debentures, or Debenture Stock, follow upon much the same lines, it will be convenient to explain the procedure simultaneously. In the case of private syndicates and other similar undertakings—which, while securing the benefits of registration with limited liability, are owned by a very small number of proprietors—no very special treatment becomes necessary in connection with the issue of Capital. In such cases separate Share Ledgers are only necessary to meet the requirements of the statutes, and it will probably be found convenient to record all the various transactions fully in the financial books, opening a Personal Account for each shareholder, which will be debited with the amount from time to time called up upon his shares and credited with the amount which he pays thereon. Under normal circumstances, however, the number of shareholders in a company is so considerable that it is not convenient to include their various Personal Accounts in the financial books. A separate Share Ledger is therefore employed, and "Total Accounts" only are kept in the General Ledger. These total accounts are for all practical purposes "Adjustment Accounts." The exigencies of the case point, as a matter of convenience, to two sets of such Adjustment Accounts being employed: one set to check the accuracy of the Ledgers with regard to the number of shares issued under each class and the amount called up thereon, and the other set to check the amount due (or in arrear) from time to time from the shareholders whose accounts are kept in detail in each separate Ledger. A separate account must invariably be kept in the General Ledger recording the amount from time to time called up upon each class of Shares, Stock, or Debentures issued, as the information under this heading has a fundamental bearing upon the financial aspect of the undertaking, and must therefore be shown in its periodical Balance Sheets. The amount due from time to time from individual investors need not, however, necessarily be shown in

detail. This is rather a question of practical expediency. Separate totals must, of course, be shown of the arrears due from shareholders and the arrears due from debenture-holders; but it is not necessary for either of these totals to be further split up, unless the number of Personal Accounts is so considerable as to render this course desirable with a view to facilitating the exact balancing of the detailed records in the Share and Debenture Ledgers respectively. So far as stockholders are concerned, Stock being invariably fully paid-up, no arrears can arise, and no special difficulty will therefore occur under this heading.

The most convenient method of recording entries in connection with the issue of Capital is perhaps best shown by way of the following:—

PROBLEM.—A Company formed to acquire an established business issues ordinary capital £100,000 in £10 shares, payable £1 on application, £2 on allotment, and the balance three months after allotment; preference capital £50,000 in £10 shares, payable in the same manner; and £50,000 in debentures of £100 each, payable 10 per cent. on application, and the balance on allotment. The whole was subscribed and allotted on the 15th January 1907.

Make Journal entries relating to the issue of the capital.

JOURNAL, 1907.

		Dr. £ s d	Cr. £ s d
Jan. 15	Application Account (O.S.)	6,000 0 0	
	Allotment Account (O.S.)	12,000 0 0	
	To Ordinary Share Capital Account	..	18,000 0 0
	(Being £3 per share on 6,000 Ordinary Shares allotted this day, as per Minute of this date)		
Mar. 15	Call Account (O.S.)	42,000 0 0	
	To Ordinary Share Capital Account	..	42,000 0 0
	(Being call of £7 per share on 6,000 Ordinary Shares, due 15th April 1907, as per Minute of this date)		
	(Similar entries for 5,000 Preference Shares)		
Jan. 15	Sundry Debenture-holders	50,000 0 0	
	To Debentures Account	..	50,000 0 0
	(Being amount payable on 500 £100 Debentures issued this day, as per Minute of this date)		

NOTES.—It will be seen that in this case separate "Application," "Allotment," and "Call" Accounts are opened for each class of shares to facilitate separate balancing by stages; if, however, there is not likely to be any serious difficulty in balancing, one general "Shareholders' Account" would suffice. This latter method is shown in connection with the debenture issue. The date of the Journal entry relating to the Call will be the date of the resolution of the Board "making" the Call, and not the date when it becomes payable.

The detailed record of applications from investors, and of the subsequent allotments and the collection of instalments due, involves transactions of a somewhat special nature on account of the very considerable number of Personal Accounts that have usually to be kept, and also because the exigencies of the case require that these accounts should be prepared against time, and therefore upon such a system as will readily enable them to be always kept up to date. These special requirements are met by a combination of the "Tabular System" with the "Slip System" of accounts. A general outline of the Tabular System has already been given in Chapter VI., while in Chapter XVIII. will be found a description of the Slip System. Inasmuch, however, as its application for the present purpose involves only a quite rudimentary knowledge of the system, it is thought that the reader will experience no difficulty in grasping the following description without waiting to acquire a thorough mastery of the Slip System in all its

numerous developments. The essential feature of the Slip System is to employ *the same record* for two or more different purposes in accounting, and for the present purpose it is not necessary to go beyond this point. For the sake of clearness, the following description is confined to the issue of a particular class of capital—*e.g.*, Ordinary Shares. The same procedure will, however, apply to every other class of Share Capital, and also to Debenture issues; while in connection with issues of Stock, it is only necessary to add that, as a rule, Stock is not issued, save in exchange for fully paid-up shares; but in the event of its being issued direct, the collection of the various instalments making such Stock fully paid will invariably be recorded in the Application and Allotment Sheets, so that thereafter no record becomes necessary, other than the amount of Stock standing to the credit of each separate investor. When a simultaneous issue is being made for two or more different classes of capital, the various issues should be kept separate *ab initio*, both because the transactions are essentially separate, and also for the sake of facilitating balancing by keeping the work divided into well-defined sections. To guard against the confusion that would arise from entries being recorded under the *wrong* sections, it is, however, desirable that all papers and documents of every description should be clearly distinguishable, either by being printed upon distinctively tinted paper, or being clearly headed in differently coloured inks.

With these preliminary observations the detailed explanation of the issue of Capital may be proceeded with. The initial record in connection with these transactions is the letter of application received from the investor, which should in all cases be upon the prescribed form. This form will vary in detail, according to the requirements of the case, but should always consist of two separate parts—the upper containing the actual application (and showing *inter alia* the name, address, and occupation of the applicant, the number of shares applied for, and the amount deposited upon such application); while the second part—which is detachable—should consist of the Bankers' receipt for the deposit paid on application. The first part will be lodged with the Company's Bankers, and will be received by the Company from its Bankers at convenient intervals, varying naturally according to the heaviness of the subscription list. From this part the preliminary records are made. The second section (*i.e.*, the receipt for deposits) will be retained by the applicant, and eventually given up by him in exchange for the share certificate if an allotment takes place, or for a cheque returning the deposit in the event of no allotment taking place. From the Application Forms, as received from the Company's Bankers, the "Application and Allotment Sheets" are written up. The forms will be numbered consecutively as received, and entered upon separate sheets corresponding to the initial letters of the applicants' surnames; or in the case of a very heavy list there may be a further sub-division on the "vowel index" principle, which will divide the applications into 130 sections, five for each letter of the alphabet. This portion of the work should be kept as closely up to date as possible from hour to hour, and once every day at least while the subscription list is open the total of the column headed "Deposits Received on Applications" should be agreed with the amount accounted for by the Bankers in the Bank Pass Book. The exact form of Application and Allotment Sheet will vary somewhat, according to the conditions of the proposed issue. Speaking generally, it is desirable that these Sheets (which are in tabular form) should record the Personal Accounts of the various applicants up to as late a date as possible, with a view to simplifying the records that will have to appear later in the Share Ledger. On the other hand, the tabular form of Ledger is unsuitable from the moment when any extensive transfers of shares are likely to take place, and therefore in practice it is rarely possible to employ the Tabular System up to the point when the shares become fully paid. Alternative forms, suitable for different circumstances, are given overpage, and it will, of course, be understood that anything intermediate between these two forms will be practicable, if suited to the special requirements of the case.

EXAMPLES:

Ordinary Shares.

A.—APPLICATIONS AND ALLOTMENTS SHEET (Suitable when the whole of the Capital is called up quickly).

No. of Application	Name of Applicant	Address	Occupation	No. of Shares Applied for	Deposits Received on Applications	C.B. Fo.	Remarks	Proposed Allotment	No. of Shares Allotted	No. of Allotment Letter	Distinctive Numbers of Shares Allotted		Amount due on Allotment	Cash Received in Payment of Allotment Moneys	C.B. Fo.	No. of Letter of Regret	Cash Returned on Applications Declined	C.B. Fo.	Amount of Call due........19..	Cash Received in Payment of Call	C.B. Fo.	Total Amount paid up	Share Ledger Fo.	No. of Share Certificate
											From	To												
					£ s d								£ s d	£ s d			£ s d		£ s d	£ s d		£ s d		

Ordinary Shares.

B.—APPLICATIONS AND ALLOTMENTS SHEET (Suitable when the whole of the Capital is not called up quickly).

No. of Application	Name of Applicant	Address	Occupation	No. of Shares Applied for	Deposits Received on Applications	C.B. Fo.	Remarks	Proposed Allotment	No. of Shares Allotted	No. of Allotment Letter	Distinctive Numbers of Shares Allotted		Amount due on Allotment	Cash Received in Payment of Allotment Money	C.B. Fo.	No. of Letter of Regret	Cash Returned on Applications Declined.	C.B. Fo.	Total Amount paid up.	Share Ledger Fo.	No. of Share Certificate
											From	To									
					£ s d								£ s d	£ s d			£ s d		£ s d		

A careful perusal of the above forms will show that when the results of the various sheets are summarised, as they should be from time to time, the total of the columns showing the aggregate amount of deposits received should agree with the amount accounted for by the Company's Bankers. The total amount of shares allotted should agree with the actual allotment made, and therefore with the entries made in the General Ledger through the medium of the Journal. The total amount of the column marked "Amount Payable on Allotment" should agree with the balance of the corresponding Allotments Account in the General Ledger on the date when the allotment takes place, and so on. If the first form of Application and Allotment Sheets be used, the only particulars required in the Share Ledger will be the number (quantity) and the distinctive numbers of the shares standing in the name of each shareholder; but if, at the date of opening the Share Ledger, the shares are not fully paid, then each shareholder's Personal Account in the Share Ledger must also show the amount called up on his shares, and the amount (if any) in arrear thereon. The aggregate amount of such arrears must agree with the balance of the corresponding Calls Account in the General Ledger. From the date that the Share Ledger is opened the Application and Allotment Sheets must be definitely closed. They should then be bound up for future reference when required, and from that time occupy the place occupied by any ordinary Ledger which has been used up and superseded by a new one. If the sheets have been prevously prepared with that end in view, it will be found that a Loose-Leaf Ledger transfer case is very convenient for the permanent binding of the Application and Allotment Sheets.

The form of Share Ledger that is most convenient will naturally vary to some extent, according to the form of Application and Allotment Sheets that have been used. The following forms correspond with the two forms of Application and Allotment Sheets already given. Intermediate forms can be readily designed from these where necessary.

EXAMPLES:

A.—FORM OF SHARE LEDGER (for fully paid Shares).

(Surname).. *(Christian Name)*..

(Address)..

....

(Occupation)..

ORDINARY SHARES of £—— each (Fully paid-up).

Shares Disposed of					Shares Acquired					Balances	
Date	Folio	Distinctive Numbers		No. of Shares	Date	Folio	Distinctive Numbers		No. of Shares	Date	No. of Shares
		From	To				From	To			

B.—FORM OF SHARE LEDGER (for Shares not fully paid).

(Surname).................... *(Christian Name)*....................

(Address)....................

....

(Occupation)....................

ORDINARY SHARES of £—— each.

Dr. CASH ACCOUNT. *Cr.*

Date	Particulars	Amount per Share called up	Folio	Amount due	Date	Particulars	Folio	Amount paid
				£ s d				£ s d

SHARE ACCOUNT.

Shares Disposed of					Shares Acquired					Balances	
Date	Folio	Distinctive Numbers		No. of Shares	Date	Folio	Distinctive Numbers		No. of Shares	Date	No. of Shares
		From	To				From	To			

The above forms contain all the information that is prescribed in the statutory "Register of Members." It is not therefore necessary that the latter should be kept as a separate book; but, if thought desirable, a separate Register may readily be provided, and such a course is sometimes preferred, as it avoids the disadvantage of offering to all comers information which is not specifically required by statute.

A "Stock Ledger" will be upon the same lines as a Share Ledger; but, owing to the altered circumstances, certain variations occur, and it is therefore thought desirable to give the following form of ruling suitable under the altered circumstances:—

EXAMPLE:

FORM OF STOCK LEDGER.

(*Surname*)............ (*Christian Name*)................

(*Address*)................................

(*Occupation*)............

ORDINARY STOCK.

Stock Disposed of			Stock Acquired			Balances	
Date	Fo.	Amount	Date	Fo.	Amount	Date	Amount
		£ s d			£ s d		£ s d

CALLS.

When the whole of the Capital issue is called up before the Share Ledger is opened, the Calls made from time to time are entered in the column, or columns, provided for that purpose in the Application and Allotment Sheets (*vide* form on page 76), and the moneys received in payment of such Calls are also posted to these Sheets from the Cash Book. If, however, the Share Ledger is opened before the whole of the Capital is called up, a special "Call Book" has to be provided. This, however, will be ruled in the same manner as the simplest form of Day Book, and therefore requires no detailed description. It may be mentioned in passing that if Capital receipts are entered in detail in the General Cash Book, it is desirable to provide an additional (inner) column for the record of these details, so that only the periodical totals may be readily arrived at for posting into the General Ledger. Save, however, in the case of comparatively small companies, it is usually more convenient to employ a subsidiary Cash Book for the record of these receipts, the daily totals only appearing in the General Cash Book; and where there are several different classes of shares, it will generally be found desirable to open a special banking account in respect of *each*, and to employ a subsidiary Cash Book for moneys received in respect of each class. In intermediate cases, however, one subsidiary Cash Book will suffice; but, in that event, separate columns should be provided for each class of Capital, with a view to facilitating the sectional balancing of the Share Ledgers.

SHARE CERTIFICATES.

For the purposes of this work, it is unnecessary to discuss in detail the duties of a Company Secretary, other than those which arise directly out of the accounts. It may be mentioned in passing, however, that at about this stage Share Certificates will have to be issued, in exchange for Allotment Letters and Bankers' receipts for instalments of Capital paid. It is convenient that a column should be added to

the Application and Allotment Sheets for the record of the consecutive numbers of these certificates. If transfers are likely to be numerous, it will be found to be far more satisfactory to provide a form of Certificate that allows of the distinctive numbers being placed in the *margin*, rather than to employ a form which requires the distinctive numbers to be inserted in the body of the Certificate, as the latter form is very inconvenient if several groups of shares have to be placed on the same Certificate. In the case of Stock Certificates, such a difficulty does not arise, as no distinctive numbers are required, and the aggregate amount of stock need never be stated in more than one figure. For example, if it becomes necessary to register £1,500 stock in the name of A., which has been acquired by him from, say, five different stockholders, the Certificate will only be for "£1,500 stock," whereas if 1,500 shares have been acquired from five different shareholders, there will probably be at least five groups of distinctive numbers, and perhaps considerably more.

TRANSFERS,

whether of Shares, Debentures, or Stock, in no way affect the financial position of the Company, and therefore involve no entries whatever in the financial books. Naturally, however, they involve the entry of corresponding records in the Share, Debenture, or Stock Ledgers, as the case may be. These entries are made through the medium of a Register of Transfers, a book which is in the nature of a Journal, kept (for the sake of convenience) upon tabular lines. The following is a fuller form of ruling than is perhaps generally adopted, but the additional columns will in all cases be found to facilitate the rapid record of transactions while at the same time avoiding as far as possible the risk of errors. The extra columns for the number of the old Certificate and the numbers of the new Certificates will be found particularly useful in practice.

EXAMPLE:

REGISTER OF TRANSFERS (a separate Register to be kept for each class of Capital).

ORDINARY SHARES.

Date when lodged	No. of Transfer Deed	No. of Share Certificate.	Transferor's		Shares Transferred					Transfer passed		Transferee's				No. of New Certificate	No. of Balance Certificate
			Folio	Name.	No. of Shares	Distinctive Nos. From	Distinctive Nos. To	Total Amount paid up	Consideration	Date	No. of Minute	Folio	Name	Address	Occupation		
								£	£								

ACQUISITION OF PROPERTY.

In the majority of cases a new Company is formed for purposes which include the acquisition of some specific property or business, or of several such, with a view to working them thereafter. Accordingly what are known in bookkeeping as "opening entries" are of very common occurrence in connection with Company Accounts, and even when a Company is formed with what may be termed a "clean slate"—that is to say, without being tied down to the acquisition of any specific property for the purpose of carrying out its objects—it will doubtless in the near future have to enter into such a transaction in some form or another. Consequently "opening entries" of some kind will almost invariably have to be made in the books of a Company during the earlier stages of its career. These opening entries differ only in form from those with which the reader is doubtless already acquainted in connection with elementary bookkeeping exercises. Whenever property is acquired, the account, or accounts, that are set aside to record transactions in such property are debited with the cost price thereof, and the Personal Account of the Vendor is credited. This elementary principle of bookkeeping holds good for large as well as for small transactions. The basis of the transaction will be a contract, under seal, entered into by the Company, under which at a certain specified consideration it agrees to acquire certain specific property. Such a contract is, as a rule, confirmatory to a preliminary contract previously entered into between the Vendor and a trustee on behalf of the Company, the object of such preliminary contract being to give the Company a "firm option" to purchase. It need hardly be stated, however, that such a preliminary contract is not essential, and that its only object is to bind the Vendor until such time as the Company is in a position to contract for itself. A short way of recording such a transaction would be to debit accounts representing the various assets acquired, and to credit accounts representing the various liabilities (if any) taken over, and the various classes of consideration given by way of purchase-price. In practice, however, such a mode of accounting would be inconvenient—first, because the consideration is not invariably wholly given at the time that the contract becomes binding; and, secondly, because the actual consideration that passes in practice will never be exactly the same as the nominal consideration named in the contract. The causes of these differences, and the best method of dealing with them in accounts is shown in detail in Chapter X., for present purposes, therefore, it may be assumed, for the sake of simplicity, that the actual consideration that passes *is* the same as the nominal consideration.

As at the date of the execution of the contract of purchase, a Journal entry should be made, crediting the Vendor with the nominal purchase consideration and debiting the various assets acquired. If (as is very frequently the case) the contract of sale includes the taking over of the Vendor's liabilities by the Company, then, of course, accounts must be opened and credited with the amount of such liabilities, and the credit to the Personal Account of the Vendor will be reduced to a corresponding extent. As, and when, the purchase-money is paid, the Vendor's account will be debited; and when the whole purchase-price has been paid, no balance will remain outstanding on the Vendor's account.

If the whole of the purchase-price is agreed to be discharged in cash, the payment of the Vendor is a very simple matter, and will be recorded in the books by means of postings to the debit of the Vendor's account from the credit side of the Cash Book. As a rule, however, only a portion of the purchase-price is so discharged, and in some cases the Vendor agrees to receive nothing whatever in Cash. The purchase-consideration is, as a rule, discharged either wholly or partially by the issue of Shares or Debentures, credited as fully paid-up; that is to say, Shares or Debentures which involve upon the allottee no liability to pay to the Company the face-value thereof. Such "paper" consideration is regarded as being valid payment, and although in many cases the purchase-price may be swollen to compensate for the non-payment of Cash, in other

cases it may be actually reduced by this process, because the consideration is known to have an intrinsic value considerably in excess of par. Prior to the passing of the Companies Act, 1900, the issue of "fully-paid" Shares was beset by numerous restrictions, which not infrequently resulted in considerable hardship to the allottees, or to subsequent transferees to whom a legal knowledge of the circumstances might be imputed. Under the Companies Act, 1900, however, it was provided that so long as Shares are duly paid for, they need not necessarily be paid for in cash; all that is now necessary is that, when it is sought to avoid the liability to pay for such Shares in cash, a contract reciting the whole of the circumstances under which the allottee claims such Shares as fully paid-up must be filed with the Registrar of Joint Stock Companies within one month from the date of the allotment of such Shares. This contract should invariably be prepared by the Company's Solicitors, and need not therefore be discussed in these pages. From the point of view of the accounts, all that is necessary is that there should have been such a contract, that its execution should have been duly authorised by the Directors, and that such authorisation should have been recorded in the Company's Minute Book. The Journal entry recording the transaction should refer to the contract, and also to the Minute authorising its execution. The nature of the entry is that it debits the Vendor with the nominal value of the consideration paid to him, and credits such value to the accounts opened to record the amount called up from time to time on the various classes of Shares or Debentures issued. With these preliminary remarks the exact nature of the opening entries of a Company will be readily understood from a study of the following:—

PROBLEM.—A Company, under a contract dated 1st January 1907, takes over as a going concern the business of A. Jones. The purchase-price is agreed at £100,000, payable as to £50,000 in Ordinary Shares of £1 each, £25,000 in 6 per cent. Preference Shares of £1 each, and the balance in cash.

The assets consist of Freehold Land and Buildings, £16,000; Plant and Machinery, £42,000; Stock-in-Trade, £37,000; Book Debts, £51,000. The liabilities are Sundry Creditors on Open Account, £27,000; Bills Payable, £19,000.

The completion of the sale takes place on 12th January 1907.

Show, by means of Journal entries, the necessary entries in the financial books of the Company, disregarding the apportionment of outstandings (*vide* Chapter X.):—

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	£ s d	£ s d
1st January.		
Freehold Land and Buildings	16,000 0 0	
Plant and Machinery	42,000 0 0	
Stock-in-Trade	37,000 0 0	
Sold Ledger Account	51,000 0 0	
To A. Jones		146,000 0 0
(Being Property, as described above, acquired from Mr. A. Jones, as per contract of this date between him and the Company; vide Minute No.—.)		
A. Jones	46,000 0 0	
To Bought Ledger Account		27,000 0 0
" Bills Payable		19,000 0 0
(Being Liabilities, as above described, taken over from Mr. A. Jones, under contract of this date between him and the Company; vide Minute No. —.)		
12th January.		
A. Jones	100,000 0 0	
To Ordinary Share Capital Account		50,000 0 0
" 6 per cent. Preference Share Capital Account		25,000 0 0
" Cash		25,000 0 0
(Being 50,000 Ordinary Shares of £1 each, Nos. 8-50,007 and 25,000 6 per cent. Preference Shares of £1 each, Nos. 150,001-175,000, allotted to A. Jones as fully paid-up, in pursuance of contract between him and the Company, dated 1st inst., filed with the Registrar of Joint-Stock Companies this day; also Cash paid him, being balance of consideration under such contract; vide Minute No. —.)		

Before leaving this subject, it is desirable to draw attention to two modifications that sometimes arise in practice. (1) Occasionally the Share consideration paid to the Vendor will take the form of *partly* paid-up Shares, instead of fully paid-up Shares. In such a case, the Vendor will be debited, and the Share Capital Account credited, with the amount agreed to be regarded *as* paid-up upon the Shares in question; and therefore Calls, up to the nominal value of the Shares, may be made by the Company thereafter. The issue of partly paid-up Shares is, for practical purposes, restricted to "reconstructions," which are considered fully in Chapter XVI. (2) Occasionally the agreed purchase-consideration will be satisfied by an issue of fully paid-up Shares amounting in all to a smaller sum. So long as it is perfectly clear that the assets acquired by the Company are worth the nominal value attached to them, the effect of such an arrangement as this is that the Vendor's Shares are issued to him "at a premium," and the proper treatment of premiums is explained hereafter (p. 84). There is, as a rule, no inducement to unduly inflate the purchase-consideration, because an *ad valorem* stamp duty has to be paid thereon; but if the shares issued to the Vendor in satisfaction of purchase-price are not worth more than par, a serious question may arise as to whether the real facts of the case are not that the actual cost price *to the company* of the assets acquired by it is less than the price stated in the contract of sale. In such a case, it would not be proper to debit the various assets' accounts with anything in excess of the actual cost price, and it may therefore become necessary to go behind the letter of the contract of sale, ascertain the true facts, and (for purposes of accounting) reduce the purchase-price accordingly, debiting the difference to "Goodwill," or some similar account. Such cases are, however, not very likely to often occur in practice.

FORFEITURE OF SHARES.

Under most Articles of Association, the power is reserved to the Company to forfeit any of the Shares upon which Calls may remain unpaid for more than a prescribed length of time. This power can, however, only be exercised after due notice has been given to the registered holder of such Shares. In order to clearly understand the necessary entries to be made on a forfeiture taking place, it is important to appreciate the state of the books at that date. From time to time the Share Capital Account will show as a credit balance the aggregate amount called up upon all Shares that may have been issued, while the Allotment Account (or Calls Account, as the case may be) will show as a debit balance the amount in arrear. The effect of forfeiture is to forfeit all the *rights* of the then holder of such Shares and to reduce *pro tanto* the issued Capital of the Company. Accordingly, when Shares are forfeited, the credit balance of the Share Capital Account must be reduced by the amount called up on such Shares as have been forfeited. The act of forfeiture does not extinguish the liability of the late shareholder, and therefore at first sight it might appear to be unnecessary to write off the debit balance on the Allotment (or Calls) Account; but inasmuch as such balance is in all probability a Bad Debt, the moment of forfeiture would appear to be the proper time to write this fictitious asset out of the books, and in any event it can no longer be correctly described as the amount due from a member of the Company. Therefore, in so far as the amount called up upon the Shares forfeited represents an amount due on such Shares, it should be credited to the Allotment (or Calls) Account, and the difference, which represents the amount actually received by the Company on the Shares that have been forfeited, should be transferred to a "Forfeited Shares Account." If the arrears of Calls are ultimately recovered after forfeiture, they also should be credited to the Forfeited Shares Account. The Directors of a Company have power to from time to time re-issue such Shares as may have been forfeited, and, if they be re-issued at par, the entries in the financial books will be in all respects upon the same lines as though the Shares so re-issued formed part of a new issue; but the Directors may, if they think it in the interest of the Company, re-issue such Shares at any discount, not

exceeding the amount previously received from the original shareholder. The amount standing to the credit of the Forfeited Shares Account is available to make good this Discount, and must then be re-transferred from the Forfeited Shares Account to the credit of Applications and Allotments Account. Any balance that may remain thereafter to the credit of the Forfeited Shares Account represents a Premium received on Shares, and may be treated accordingly.

PROBLEM.—The Directors of a Company pass a resolution on 13th July 1906 forfeiting 100 Ordinary Shares of £1 each, upon which a deposit of 2s. 6d. per Share has been received, but upon which the 7s. 6d. due on allotment and a further call of 5s. per Share remain unpaid. On the same date they re-issue the Shares to one of their number, credited with 15s. per Share paid-up thereon, for £70. Show, in Journal form, the necessary entries in the financial books of the Company.

JOURNAL, 1906.

	£	s	d	£	s	d
13th July.						
Share Capital Account	75	0	0			
To Allotment Account	..			37	10	0
" Call Account	..			25	0	0
" Forfeited Shares Account	..			12	10	0
(Being 100 Shares, No. — to —, standing in the name of ———, forfeited this day for non-payment of Calls, vide Minute No. —.)						
Forfeited Shares Re-issued Account	75	0	0			
To Share Capital Account..	..			75	0	0
Cash	70	0	0			
Forfeited Shares Account	5	0	0			
To Forfeited Shares Re-issued Account	..			75	0	0
(Being 100 Shares, No. — to —, re-issued to ———, credited with 15s. per Share paid-up, for £70, vide Minute No.—.)						

In the Share Books of the Company the best way of dealing with forfeitures is to pass an entry through the Register of Transfers, transferring such Shares from the name of the original holder to a "Forfeited Shares Account," and upon their re-issue to transfer them back from the Forfeited Shares Account into the name of the new holder. In order to complete the record which vouches the entries in the Register of Transfers, it is desirable that a slip should be inserted in the proper place in the Guard Book where transfers are filed, fully recording the facts and the authority for the entries made.

ISSUE OF SHARES AT A PREMIUM.

Sometimes an issue of Shares is made under such circumstances that subscribers are required, in addition to paying up the face value of such Shares, to pay a premium (or Bonus) to the Company in consideration of receiving the privilege of an allotment. In the Share Books the best method of dealing with such premiums is to provide an additional column on the Application and Allotment Sheets for the amount due in respect of such Premiums. There is no occasion to divide the Cash columns in the same way, as, if the whole amount due is not paid, the first moneys received would be allocated as being in respect of the Premiums charged. Such Premium would invariably be received before the entries are transferred to the Share Ledger, and consequently the ordinary form of ruling for the Share Ledger will still be all that is required. In the financial books the Applications and Allotments Account must be debited with the total amount due on allotment, including Premiums; but the amount of such Premiums, instead of being credited to the Share Capital Account, should be credited to a Premiums Account, as shown in the following:—

PROBLEM.—A Company offers for subscription 100,000 Shares of £1 each, at a premium of 2s. 6d. per Share, payable 5s. on application, 7s. 6d. on allotment, and the balance one month after allotment. Show the necessary entries in the financial books of the Company, assuming that the subscription list opened on 14th July 1906, that applications were then received for 120,000 Shares, and that the Company went to allotment on the following day.

Dr. SHARE CAPITAL ACCOUNT. Cr.

						£	s	d
					1906			
					July 15	By Application Account	12,500	0	0
					"	" Allotment Account	37,500	0	0
					"	" Call Account	50,000	0	0

Dr. APPLICATION ACCOUNT. Cr.

		£ s d			£ s d
1906			1906		
July 15	To Share Capital Account	12,500 0 0	July 14	By Cash	30,000 0 0
"	" Premium Account	12,500 0 0			
"	" Cash	5,000 0 0			

Dr. ALLOTMENT ACCOUNT. Cr.

		£ s d			£ s d
1906			1906		
July 15	To Share Capital Account	37,500 0 0	July —	By Cash	37,500 0 0

Dr CALL ACCOUNT. Cr

		£ s d			£ s d
1906			1906		
Aug. 15	To Share Capital Account	50,000 0 0	Aug. —	By Cash	50,000 0 0

Dr. PREMIUM ACCOUNT. Cr.

					£ s d
			1906		
			July 15	By Application Account	12,500 0 0

Dr. CASH. CONTRA. Cr.

		£ s d			£ s d
1906			1906		
July 14	To Application Account	30,000 0 0	July 15	By Application Account (deposits returned)	5,000 0 0
—	" Allotment Account	37,500 0 0			
Aug. —	" Call Account	50,000 0 0			

The question as to how Premiums should eventually be treated is, from some points of view, still an open one, it never having been expressly decided whether or not such Premiums are legally available for distribution by way of dividend. It would appear, however, to be doubtful whether they can be legally so distributed, and it is therefore thought desirable that, instead of following the usual practice of transferring Premiums to Reserve Fund, they should be retained permanently to the credit of "Premiums Account," and shown as a separate item upon the Liabilities' side of the Balance Sheet. In Companies whose accounts are kept upon the "Double-Account System" (*vide* Chapter XII.) all Premiums received are treated as part of the Capital Receipts of the Company.

DEBENTURES.

As has already been stated, the entries in connection with the issue of Debentures or Debenture Stock, follow upon exactly the same lines as those

already explained in connection with the issue of Shares or Stock. It remains to be added, however, that whereas the latter cannot be issued at a Discount and are irredeemable,* the former may be issued at a Discount, and may be issued upon such terms that they are redeemable, either by notice, or at the expiration of a certain definite period. The proper entries in connection with the issue of Debentures at a Discount and the redemption of Debentures have therefore still to be considered.

ISSUE OF DEBENTURES AT A DISCOUNT.

The entries in this case are naturally the converse of the issue at a Premium, with the result that "Discounts Account" must be debited, and "Applications Account" credited with the amount agreed to be deducted from the nominal value of the Debentures as an inducement to subscribers. The position is thus in many respects analogous to an issue of partly-paid Shares. In the detailed Debenture Books the most convenient method is to provide a special column on the Application and Allotment Sheets for the amount agreed to be considered as allowed off the nominal value of the Debentures allotted, and no entries need appear in connection with the matter in the Debenture Ledger.

The proper treatment of the debit balance on the "Discounts Account" varies according to the terms of the issue. It is perhaps desirable, however, to mention in passing that a special Discounts Account should be opened in respect of each such issue, and that under no circumstances should these Discounts be confused with the ordinary Discounts allowed by the Company in the course of its trading operations. If the Debentures are irredeemable,† the debit balance of the Discounts Account will only become a realised loss in the event of the Company going into liquidation, and it would therefore not be improper to permanently include it upon the Assets' side of the Balance Sheet, or to deduct it from the liability under Debentures appearing upon the Liabilities' side; but although such treatment might be permissible, it would undoubtedly be preferable for the loss to be written off over a term of years, in the same manner as it is usual to gradually write off Preliminary Expenses. If, on the other hand, the Debentures are redeemable, then clearly the amount of the Discounts allowed upon the issue will become a realised loss on the date when such Debentures become redeemable, and under these circumstances it is essential that the loss should be written off, out of Revenue, during the period of such issue. For example, if the Debentures be redeemable in seven years' time, then one-seventh of the aggregate Discount allowed should be written off against Profits each year.

REDEMPTION OF DEBENTURES.

In the Debenture books the best method of dealing with Debentures redeemed is, through the medium of the Register of Transfers, to transfer such Debentures as are redeemed from time to time to a "Debentures Redeemed Account." In the financial books the entries are not, as a rule, sufficiently numerous to make it worth while to adopt any abbreviated method, and it will therefore in general answer all practical purposes if Debentures Account be debited, and Cash credited, with the amount paid to Debenture-holders from time to time in redemption of these liabilities. If, however, the number of Debenture-holders renders some form of abbreviated entry desirable, the detailed particulars of the various payments may appear in an inner column of the Cash Book, and the total only may be posted to the debit of the Debentures Account. In exchange for the moneys so paid, the original Debenture Bonds should, of course, be received from the Debenture-holders, and submitted to the Auditors as vouchers for the respective payments.

CONVERSIONS AND SPLITS.

Conversions of fully-paid Shares into Stock, or of Stock of one denomination into Stock of another denomination, and the "splitting" of Shares or Stock into two demnominations, are transactions that do not often occur in connection with registered Com-

* The Companies Bill, 1907, provides for the issue of shares at a discount in certain cases.

† A Company registered under the Companies Acts cannot issue irredeemable debentures. The Companies Bill, 1907, will, however, if enacted, regularise their issue.

panies, but they are comparatively common with railway companies and other undertakings incorporated by special Act of Parliament. The authority for such transactions will, of course, under these circumstances be obtained by a supplementary Act, or from a provision already made in the existing private Act. When Shares are converted into Stock, the entries in the financial books are quite simple, all that is necessary being to debit the appropriate Share Capital Account and to credit a corresponding sum to the new Stock Account. If the nominal amount of the new Stock be *less* than the amount paid up upon the old Shares, the new Stock has been issued at a Premium; if the nominal amount be more, the new Stock has been issued at a Discount. Under these circumstances, however, the Discount is "capitalised," and not gradually written off out of profits. In the departmental books it will generally be found best to open an entirely new Stock Ledger, and to close up the old Share Ledger; and as the number of Personal Accounts is generally very considerable, it will usually be found convenient to pass these transfers through a specially designed "Conversion Journal" ruled somewhat as follows:—

EXAMPLE:

FORM OF CONVERSION JOURNAL (Shares into Stock).

Old Shares					Name	Address	Occupation	New Stock		
Share Ledger Folio	No. of Shares	Distinctive Nos. From	Distinctive Nos. To	No. of Old Certificate				Amount	Stock Ledger Folio	No. of New Certificate
								£ s d		

When Stock of one description is converted into Stock of another (as, for example, when 5 per cent. Stock is converted into 4 per cent. Stock), the capital value of the Stock will usually be increased *pro ratâ*, so that the income actually paid to the Stockholders may remain the same. In effect, therefore, the new Stock is issued at a discount. In other respects it follows the same lines as those already indicated, save that the Conversion Journal will require some slight modification, so far as the ruling of the left-hand side is concerned.

The commonest form of "splitting" is when uniform Shares or Stock are split up into Preference and Ordinary Shares or Stock. If the amount of new Shares (or Stock) issued in exchange for the old is, in the aggregate, equal to the nominal amount of old Shares (or Stock) the new issue is at par; but if—as is very often the case—£100 of the Stock is split up into £100 Preference Stock *and* £100 Ordinary Stock, the new issue is, of course, at a Discount of 50 per cent. Such "Splits" are not uncommon when the market price is greatly in excess of the nominal value, and it is desired (for purposes of convenience) to effect a closer approximation of the two.

REGISTRATION OF PROBATE OR LETTERS OF ADMINISTRATION.

There is a very general misapprehension with regard to the consequences that ensue upon the death of a registered holder of Shares, Debentures, or Stock. It is frequently insisted that the investment must be forthwith transferred into the names of the legal personal representatives of the deceased holder, and that it is only after such transfer has been effected that the latter are competent to dispose of the investment. From the point of view of the Company, there is no objection to this plan, which incidentally has the effect of increasing the revenue from Transfer Fees; but it cannot be insisted upon. and in the case of partly-paid Shares is altogether indefensible, in that it seeks to place upon the legal

personal representatives of the deceased shareholder a personal liability in respect of unpaid capital that cannot be enforced. The legal personal representatives (whether they be the executors named in the will of the deceased, or the administrators appointed by the Court to administer his estate) are entitled, on production of the probate (or letters of administration, as the case may be) to have their title to deal with the investment registered, without any transfer being made into their names personally; and thereafter they may at any time execute a transfer in favour of a purchaser of such Shares. Until such transfer is executed, any Calls that may be due, or become due, are payable out of the estate of the deceased; but the executors or administrators are not personally liable to pay Calls, should the estate be deficient. The proper entry to make in the Share Ledger notifying the title of the legal personal representatives of a deceased shareholder is as follows:—

> Probate / Letters of Admin. } granted to A. of————, and B. of————,
>
> on———19—. Registered————19—.
>
> X. Z.,
>
> Secretary.

Many Companies charge a half-crown fee for making such an entry, and, as a rule, such fee is paid without demur; but inasmuch as this registration is not a transfer, no fee can properly be charged for its record, save in the unlikely event of the Company's Articles of Association making express provision therefor.

PAYMENT OF DIVIDENDS.

In the case of an undertaking owned by a sole trader, or a private firm, the profit shown from time to time by the Profit and Loss Account is forthwith transferred to the Capital Account of the proprietor; or, in the case of a firm, it is divided into shares previously agreed upon, and the Capital Accounts of the various partners are credited each with his respective share. In the case of a Company, however, the profit cannot be divided (save to a limited extent, when the payment of interim dividends is authorised) until the shareholders in general meeting have passed a resolution dealing with the matter. Accordingly the accounts that have to be submitted for approval at such general meeting must show to the credit of Profit and Loss Account whatever balance is at the disposal of the shareholders. Unless, therefore, some special modification of book-keeping were to be introduced, the Profit and Loss Account of each successive year would fail to show the actual results of that year's operations, because those results would be obscured by the balance of profit brought forward from the previous period and its disposition during the current period. It is therefore usual at the date of balancing, instead of bringing down the amount of net profit as a credit balance, to forthwith transfer it to another account (which is variously called "Net Revenue Account," "Net Profit Account," "Profit and Loss Appropriation Account," &c.), and whatever disposition may be made of the amount standing to the credit of this latter account is recorded by entries to the debit thereof. That the Net Revenue Account may be kept in a concise form it is convenient that the entries to the debit should be made in totals through the Journal to the various accounts affected, upon the lines shown in the following example:—

PROBLEM.—The X. Company, Lim., on making up its accounts to 31st December 1906 shows a balance available for distribution of £7,567 12s. 2d. At the Annual General Meeting, held on 6th April 1907, it is resolved to declare a dividend on the 40,000 Preference Shares (£1 each) of 5 per cent., and also a dividend of 10 per cent. (free of income tax) on the 40,000 Ordinary Shares of £1 each. £1,000 is to be transferred to Reserve Fund, and the balance carried forward. Show the Ledger Accounts, detailing the appropriation of divisible profits.

NET REVENUE ACCOUNT.

Dr.		£ s d		Cr.	£ s d
1907 April 6	To Preference Dividend	2,000 0 0	1907 Jan. 1	By Balance forward	7,567 12 2
"	" Ordinary Dividend	4,000 0 0			
"	" Reserve Fund	1,000 0 0			
"	" Balance down	567 12 2			
		£7,567 12 2			£7,567 12 2
			1907 April 7	By Balance forward	567 12 2

PREFERENCE DIVIDEND ACCOUNT.

Dr.		£ s d		Cr.	£ s d
1907 April 12	To Cash	1,900 0 0	1907 April 6	By Net Revenue Account	2,000 0 0
"	" Income Tax	100 0 0			
		£2,000 0 0			£2,000 0 0

ORDINARY DIVIDEND ACCOUNT.

Cr.		£ s d		Cr	£ s d
1907 April 12	To Cash	4,000 0 0	1907 April 6	By Net Revenue Account	4,000 0 0

RESERVE FUND.

Dr.				Cr.	£ s d
			1907 April 6	By Net Revenue Account	1,000 0 0

INCOME TAX ACCOUNT.

Dr.				Cr.	£ s d
			1907 April 6	By Preference Dividend Account	100 0 0

NOTE.—(1) *As a rule it is convenient to open a separate Bank Account for each dividend.* (2) *The £122 18s. 4d. transferred to the credit of Income Tax Account is available to reduce the sum directly chargeable against profits in respect of Income Tax paid by the Company.*

For information upon the important subject of Income Tax the reader is referred to Chapter XIII. It may be mentioned here, however, that when any classes of shareholders are limited to a maximum dividend, such dividends must invariably be paid after deducting Income Tax at the current rate. Income Tax must also be deducted from interest paid to Debenture-holders. As to whether or not Income Tax is deducted from holders of the most deferred class of Shares is immaterial, and will depend upon the wording of the resolution declaring the dividend; but, unless otherwise provided, Income Tax must be deducted in this case also. *But whether Income Tax be deducted from the amount actually paid to shareholders or not, the Company will have been assessed upon its profits, and individual shareholders need not therefore again pay Income Tax on the dividends received by them, whether or not any specific deduction has been made from such dividends as representing Income Tax.* The best method of dealing with entries with regard to Income Tax in a Company's accounts will, however, be better appreciated after the subject has been more fully discussed, and the matter will therefore be left over until the conclusion of Chapter XIII.

REDUCTION OF CAPITAL.

The Companies Acts provide that under certain circumstances a Company may, with the approval of the Court, reduce its Capital either by returning to shareholders money not actually required for the purposes of the undertaking, or by writing off ascertained losses. The convenience of being able to effect a reduction of Capital in the first-named case is sufficiently obvious to call for no detailed discussion, although it may be mentioned in passing that instances of its application rarely occur in practice. With regard to the second case, the ability to write off ascertained losses (whether a balance to the debit of Profit and Loss Account, representing an accumulated loss on Revenue Account, or a shrinkage in the value of fixed assets, which represents a loss on Capital Account), provided proper steps be taken to protect the interests of creditors and all minorities of shareholders, is equally convenient, on the assumption that until such losses have been made good no dividends can be declared. Numerous cases that have come before the Courts during recent years throw, however, considerable doubt upon the dictum that at one time used to be regarded as unquestionable, that no dividends can be legally declared so long as a debit balance remains outstanding on Profit and Loss Account, and under these circumstances the object of providing machinery for the reduction of Capital is somewhat obscure. For the purposes of this work, however, it is unnecessary to pursue such a subject in detail. It is sufficient to show the entries necessary in the books of a Company to give effect to a reduction of Capital when such a reduction has been authorised. The following example will clearly explain the procedure in such cases:—

PROBLEM.—**The H. K. Company, Lim., having a capital of £1,000,000, divided into 100,000 Shares of £10 each, £5 per Share called up, obtains leave to reduce its capital to £250,000 by writing £100,000 off the value of its properties and returning £150,000 in cash to its shareholders. The capital of the company (when reduced) will be £250,000, divided into 100,000 Shares of £2 10s. each, fully paid up.**

Show by means of Journal entries the necessary entries in the Company's books.

JOURNAL.

Share Capital Account	£250,000	
To Cash	..	£150,000
" Property Account	..	100,000
(Being in reduction of the capital of the Company, as per scheme passed by the shareholders at General Meeting held on the———————19—, and confirmed by the Court under order dated———————19—, sanctioning a return to shareholders of £1 10s. per share in cash, and the writing down of Property Account by the sum of £100,000.)		

NOTES.—(1) *The cash return will be treated like a dividend, so far as detailed entries are concerned.* (2) *Each account in the Share Ledger should be marked with a rubber stamp recapitulating the terms of the reduction scheme.* (3) *The Share Certificates should be called in and exchanged for Certificates for an equal number of fully paid-up Shares of £2 10s. each.*

COMPANIES' ANNUAL ACCOUNTS.

With regard to the liability of directors of companies to annually submit accounts to the shareholders, the following extract from the judgment of Mr. (now Lord) Justice Buckley in the recent case of *Newton v. Birmingham Small Arms Company, Lim.* ([1906] 2 Ch. at p. 386) will be found of interest:—"The Companies Act, 1862" (said his Lordship), "was silent as to accounts. Table A (which the "company might or might not adopt, as it chose) "contained provisions on the subject, but otherwise "the Act left the matter untouched, relying, no "doubt, upon the application of the ordinary prin-"ciples applicable as between partners, and proceeds "upon the footing that the members of a company "under the Act are partners in a special sort of part-

"nership modified and governed by statutory "provisions. The Companies Act, 1879, Section 7, "contained, for the first time, provisions as to audits "of accounts, and was confined to banking com- "panies registered after 1879 as limited companies. "The Companies Act, 1900, Sections 21 to 23, for "the first time contained provisions as to the audit of "the accounts of other companies under these Acts. "The provisions of the Acts of 1879 and those of the "Act of 1900 are closely similar, though not the "same; so similar, indeed, as that the reason for "the difference is hard to seek. The principal "differences that I trace are that the Act of 1879 "does, while the Act of 1900 does not, provide "affirmatively for an annual audit, and that the Act "of 1879 does, while the Act of 1900 does not, pro- "vide that if there is no auditor a meeting shall be "forthwith called to elect an auditor. As regards "the former of these, I think the Act of 1900 (though "it does not do so expressly) does impliedly provide "for an annual audit. Section 21, Sub-section 1, "requires the annual appointment of an auditor to "hold office for one year, and the Act contemplates "that he will audit during his year of office. There "will thus result an annual audit. As regards the "latter, I find that Section 21, Sub-section 2, pro- "vides for the appointment of an auditor by the "Board of Trade on the application of any member "in case an auditor has not been appointed at the "annual meeting. Neither statute contains any pro- "vision in favour of the public in the matter of "publication of the accounts. The two statutes do "not, I think, really differ in substance in their "result. The question is how far the Act of 1900 "goes in requiring for the protection of the members "that the accounts shall be open to audit and that a "report shall be made to the members upon them. . . "I think the language of the Act is sufficient to show "that by implication it requires that there shall be "annually an audit of the accounts resulting in a "Balance Sheet, to whose accuracy the auditors "shall speak." The learned Judge therefore held that a company under the Companies Acts has no power to make regulations precluding its auditors from availing themselves of all the information to which under the Companies Act, 1900, they are entitled as material for the report to be made by them to the shareholders as to the true state of the company's affairs.

CHAPTER X.

VENDORS' ACCOUNTS.

IN the course of the present chapter it is proposed to consider in detail those adjustments, or apportionments, of accruing income and expenditure that have to be taken into account as between vendor and purchaser when a property changes hands.

Taking first of all the comparatively simple case of the sale of a house, or a piece of land, a contract to purchase such property for an agreed price is, as usually drawn up, a contract to pay an agreed price on the date named for the completion of the sale, the vendor agreeing to defray all expenses appertaining to the property up to the date of the sale, and the purchaser agreeing to give the vendor credit for all payments made by him on account of the property that have been made in advance. If the purchase-money, as so adjusted, is not actually paid on the date named for completion, interest thereon must be paid to the vendor up to such date as completion actually takes place.

The payments which the vendor has to discharge up to the date of completion comprise all payments which are properly chargeable against the property about to be conveyed, such as Rent, Rates, and Taxes. Repairs would certainly not be included as a matter of course, and the vendor should therefore make no payments in respect of repairs without first obtaining the purchaser's consent, together with his express agreement to allow such payments in account. Fire insurance is a permissible payment in the case of leasehold property, as the lease will in such cases invariably include a covenant that the lessee is to keep the premises insured against fire. As a matter of business practice, however, fire insurance up to a reasonable amount will always be allowed as a payment. As the reader will be aware, these various outgoings are not paid from day to day, but at fixed intervals, and consequently it usually follows that at the date of completion certain of these charges have been actually paid in advance, in which case the vendor is entitled to credit for the amount so paid in advance, and that certain other charges have not been paid up to the date of completion. The charges in arrear must accordingly be debited to the vendor in account, thereby reducing the amount that the purchaser will have to pay him on completion. With these preliminary explanations no difficulty will be experienced in understanding the following problem, which represents a fairly typical case:—

PROBLEM.—Give a *pro formâ* account showing how the exact amount due to the Vendor on completion of a sale of property is arrived at, assuming that the date fixed for completion was the 29th December 1906, and that the completion actually took place on 21st February 1907.

Dr. PURCHASER IN ACCOUNT WITH VENDOR. *Cr.*

		£ s d	£ s d			£ s d	£ s d
1906 Dec. 29	To Purchase-price, as per Contract of Sale	..	5,000 0 0	1906 Dec. 29	By Ground Rent from 26th to 29th December 1906, 4 days at £50 per ann. (*less* tax at 1/3 in the £) ..	0 10 3	
,,	,, Fire Insurance paid in advance to 25th March 1907, 86 days at £3 15s. per ann.	0 17 8		,,	,, Poor Rate for the 6 months ending 25th March 1907, 91 days at £12 per 6 months	5 19 8	
,,	,, General District Rate paid in advance to 31st December 1906, 2 days at £30 10s. per 6 months ..	0 6 8	1 4 4	,,	,, Property Tax for the Year ending 5th April 1907, 268 days at £16 per ann.	11 15 0	18 4 11
				,,	,, Balance down	..	4,982 19 5
			£5,001 4 4				£5,001 4 4
1906 Dec. 29	To Balance down	..	4,982 19 5	1907 Feb. 21	By Cash	..	5,017 19 10
1907 Feb. 21	,, Interest to date of completion, 54 days at 5% per ann. (*less* Income Tax at 1/-)..	..	35 0 5				
			£5,017 19 10				£5,017 19 10

NOTES.—(1) *The date up to which apportionment has to be made will be fixed by the contract of sale.*

(2) *If—as is usual, unless the sale be to a Company about to be formed—a deposit has been paid by the Purchaser, it should be credited in this account.*

(3) *On completion the vendor must produce receipts for* (a) *Rent paid to 25th December* 1906, (b) *Fire Insurance paid to 25th March* 1907, (c) *General District Rate paid to 31st December* 1906, (d) *Poor Rate paid to 29th September* 1906, *and* (e) *Property Tax paid to 5th April* 1906.

(4) *Interest on the balance of £4,982 19s. 5d. will be charged up to the actual date of payment.*

SALE TO A COMPANY.

As has already been stated in the preceding chapter certain apportionments have in practice invariably to be made when an existing business is sold to a Company. If possible, unquestionably the most straightforward manner of carrying the transaction through would be to prepare a Balance Sheet of the business as at the date fixed for completion, in which case the necessary apportionments will be made automatically in the ordinary course of balancing the books. Such a method, however, although very desirable, can but rarely be carried into effect, because the accurate balancing of the books of a going concern necessarily occupies time, and would thus cause delay in the completion of the purchase. Moreover, the provisional contract of sale generally fixes the date upon which the business (together with the benefit of all outstanding contracts) is to be transferred to the Company, while at the date of executing such provisional contract it is impossible to fix an exact date for the completion of the purchase. The usual custom, therefore, is for the undertaking to be conveyed to the Company as from a certain fixed date, the company paying interest on the purchase-money from that date forward. Whatever date may be fixed as the time from which the transfer is to be deemed as having taken place, the vendor is entitled to all profits accruing up to that date, while all profits accruing subsequently are the property of the purchasing

Company. It is important to bear in mind, however, that although subsequent profits accrue to the purchasing Company, the latter can only divide among its shareholders such profits as may have accrued since the date when it was authorised to carry on business. Any profits arising between the date of sale and the date when the Company is entitled to commence business must be capitalised, that is to say, that amount must be applied towards the reduction of the figure of cost at which the assets acquired stand in the books of the Company. This is, of course, only reasonable, as in fixing the purchase-price the vendor will doubtless have taken into account the probable amount of profits accruing between the date of the sale and the date of completion, and will have increased the purchase-price accordingly. In order, therefore, to arrive at the true purchase-price this loading must be deducted. If the assets acquired by the Company include the item of Goodwill, this should, as a rule, be the first item to be written down; but if nothing be included for Goodwill, then some other fixed asset—preferably the most permanent—should be the one to be reduced. It is, however, perfectly legitimate to set off interest on purchase-money against accruing profits, with a view to avoiding the necessity of charging against Revenue Account interest accruing prior to the date upon which the company is entitled to commence business.

If there be but a slight interval of time between the date of the preliminary contract of sale and the date of completion, these apportionments of accrued profits will probably raise no very vital question, and may even represent a negligible quantity; but cases are by no means infrequent in which (owing probably to some delay in the flotation of the Company) an interval of six or nine months may have elapsed, and in such cases the matter is of very considerable importance. It may be quite impossible for the Directors of the new Company to determine exactly what profits had accrued up to the date when the Company was entitled to commence business and what profits have accrued subsequently; but the responsibility will rest upon them to make a proper apportionment, and they must therefore act reasonably in the matter. A rough-and-ready division of the total profits according to time would not usually be a reasonable apportionment. A better method would be to apportion the Gross Profit between the two periods according to the total Sales in each, and to apportion the expenses chargeable against Gross Profits directly according to time. This method would give a very accurate result in the case of most businesses; but if the percentage of Gross Profit earned at different periods of the year was unequal, that fact would undoubtedly have to be taken into consideration in determining the apportionment of Gross Profit.

The following problems will, it is thought, clear up all remaining points that properly arise under this heading, and will at the same time serve to further explain those that have already been mentioned.

PROBLEM.—On 3rd January 1907 A. agrees to sell his business as a going concern to an approved Company about to be formed by a promoter X. The sale is to take effect as from 31st December 1906, and the agreed purchase-price is made up as follows :—

Goodwill	£20,000
Plant and Machinery	12,500
Freehold Land and Buildings	18,750
Stock-in-Trade	21,970
Book Debts and Bills Receivable (guaranteed by A. to produce	31,000
	104,220
Less Trade Liabilities (guaranteed by Vendor not to exceed)	14,220
	£90,000

It is further agreed that the completion shall take place during 1907, and that, pending completion, A. is to be entitled to interest at 5 per cent. per annum, A. in the meanwhile to carry on the business as Trustee for the Company.

X. registered the British Manufacturing Company, Lim., on 26th March 1907. The Company duly went to allotment, and on 1st May 1907 it was authorised to commence business. It was accordingly arranged to complete the purchase on the 8th May 1907. A. supplied an account showing—

(1) Receipts from 1st January to 8th May 1907, £24,175.

(2) Payments " " " " £19,620.

(3) Book Debts amounting to £39 are admitted to be irrecoverable.

(4) The Liabilities outstanding on 31st December 1906 are admitted to have been understated by £25.

Assuming that A. opened new Trade Ledgers on 1st January 1907, show the entries now necessary in the Company's General Ledger, assuming the completion to be duly carried through on 8th May 1907, and 80,000 fully paid-up Shares then allotted to A. in part satisfaction of purchase-price, the balance being paid in cash.

Dr. GOODWILL ACCOUNT. *Cr.*

1907		£ s d			£ s d
May 1	To A.	20,000 0 0			

Dr. PLANT AND MACHINERY. *Cr.*

1907		£ s d			£ s d
May 1	To A.	12,500 0 0			

Dr. FREEHOLD LAND AND BUILDINGS. *Cr.*

1907		£ s d			£ s d
May 1	To A.	18,750 0 0			

Dr. STOCK-IN-TRADE. *Cr.*

1907		£ s d			£ s d
May 1	To A.	21,970 0 0			

Dr. SOLD LEDGER ACCOUNT. *Cr.*

1907		£ s d	1907		£ s d
May 1	To A.	31,000 0 0	May 8	By A.	39 0 0

Dr. BOUGHT LEDGER ACCOUNT. *Cr.*

1907		£ s d	1907		£ s d
			May 1	By A.	14,220 0 0
			" 8	" "	25 0 0

Dr. A. *Cr.*

Date		£	s	d	Date		£	s	d
1907 May 8	To Cash (to be credited to Sold Ledger Account and other accounts affected)	24,175	0	0	1907 May 1	By Sundries	90,000	0	0
	" Sold Ledger Account (Bad Debt)	39	0	0	8	" Cash (to be debited to Bought Ledger Account and other accounts affected) ..	19,620	0	0
	" Bought Ledger Account (Liability omitted)	25	0	0	"	" Interest (on £90,000—£64 from 31 Dec. 1906 to date at 5%)	1,577	0	0
	" Ordinary Share Capital Account	80,000	0	0					
	" Cash	6,958	0	0					
		£111,197	0	0			£111,197	0	0

Dr. INTEREST ON PURCHASE MONEY. *Cr.*

Date		£	s	d	Date		£	s	d
1907 May 8	To A.	1,577	0	0					

NOTE.--In practice, income tax would be deducted from the interest on purchase-money.

PROBLEM.—Taking the facts stated in the preceding problem, assuming that the books of the British Manufacturing Company, Lim., are balanced on 31st December 1906, and that the accounts for the year show the following result, how would you deal with the net profit?—

Gross Profit	£18,720
General Expenses	5,305
Directors' Fees, &c....	700
Depreciation of Plant and Machinery at 10 per cent.	
Do. Land and Buildings, at 2 per cent.	

The first step is to apportion the gross profit equitably between the two periods. Assuming that it has been earned at a regular rate, and that from 1st January to 30th April the Sales were £60,000, and from 1st May to 31st December they were £140,000, then the gross profit earned since 1st May may be assumed to be $\frac{7}{10}$ths × £18,720 = £13,104. The Profit and Loss Account from 1st May to 31st December then stands as follows:—

	£	s	d	£	s	d
Gross Profit				13,104	0	0
General Expenses ($\frac{2}{3}$ × £5,305)	3,536	13	4			
Directors' Fees, &c	700	0	0			
Depreciation of Plant	833	6	8			
" Land	250	0	0			
				5,320	0	0
The Net Profit available for Dividend is thus				£7,784	0	0

The total net profit for the year is £11,090; therefore £3,306 must be held over. This may be applied (1) towards paying £1,577 due to A. for interest, (2) towards writing down Preliminary Expenses or Goodwill Account.

CHAPTER XI.

EXECUTORSHIP ACCOUNTS.

GENERAL CONSIDERATIONS.

MOST writers upon Executorship Accounts have enlarged upon the highly technical nature of this branch of bookkeeping, and as a consequence the impression is very prevalent that the proper keeping of Executorship Accounts is a matter of the greatest intricacy, which is only properly understood by a comparatively small number of persons. It may be, and probably is, quite true that few people are thoroughly versed in the proper treatment of Executorship Accounts, but this is less due to any inherent difficulty presented by the subject itself than to systematic attempts to make a "mystery" of that which is, after all, but a quite ordinary matter.

The object of every properly designed system of bookkeeping is to adapt itself to the special requirements brought about by the nature of the particular classes of transactions that have to be recorded, and no properly designed system will present greater variations from the normal type than are necessary to meet the requirements of these special transactions. It follows, therefore, that no material departure from the ordinary system of bookkeeping can be justified that is not *necessitated* by the particular circumstances arising from the transactions that have to be recorded in the books. If the matter be viewed in this light, it must be admitted that there is nothing very exceptional in the transactions that have to be recorded in executorship matters.

NATURE OF TRANSACTIONS.

Avoiding details of a purely legal nature, it may be stated that the transactions that have to be recorded by executors relate to (1) the keeping of a strict account of the property of which the testator died possessed; (2) realising such property, and—after payment of all proper debts, duties, and expenses—distributing the surplus in such manner as the testator may have decreed. In the majority of cases such distribution takes place as soon as possible; but sometimes the terms of the Will require the whole, or a portion, of the estate to be invested, and the income derived therefrom to be applied for the benefit of one or more persons, called "life-tenants," until the happening of some event, when the estate (or some specified fraction thereof) is bodily handed over to the life-tenants, or some of them, or to some other parties. Strictly speaking, these last conditions, where a portion of the estate is held in trust, form no part of "Executorship Accounts," but relate rather to the accounts of Trustees; but it is convenient to deal with all transactions connected with the estates of deceased persons under this general heading.

For that reason also it is well to point out here that, in the absence of a Will, the general law of succession applies, and the estate is distributed in accordance with that general law; while if the Will makes no provision as to who is to be held entitled

to any particular portion of the estate, there is an intestacy so far as that particular portion is concerned, and is dealt with accordingly.

Where there is no will there can be no Executors, for Executors are appointed under the Will; and occasionally it will be found that even a Will omits to effectively provide for the appointment of Executors. In all such cases application must be made to the Court, who will appoint whomsoever it thinks proper to "administer" the estate, and so far as the accounts are concerned the accounts of the Administration are for all practical purposes the same as Executorship Accounts.

It will thus be seen that, speaking generally, the class of transactions involved in Executorship Accounts consists of the getting in of assets and distributing them among the persons entitled thereto; while in some cases, instead of their being immediately distributed, the assets (or a portion of them) are invested in suitable securities, and the income derived therefrom is distributed among the persons entitled thereto (*cestuis que trustent*). There is thus absolutely nothing about the transactions themselves rendering Executorship Accounts distinctive from other classes of accounts. Transactions involving the realisation and distribution of an estate are also common to bankruptcy, company liquidation, &c.; while accounts relating to investments that are held more or less permanently, and to the collection and distribution of the income derived therefrom, present no essentially new feature because the original capitalist happens to have died, and the collection and distribution therefore devolves upon his representatives. Hitherto, therefore, no reason has been found in the nature of the transactions themselves that calls for any peculiar modification of the ordinary system of bookkeeping, as applied to ordinary commercial accounts.

SPECIAL REQUIREMENTS.

There are, however, certain forms and returns that have to be submitted to the prescribed authorities, and there is always the possibility that at some future time the Executors' accounts may have to be submitted to, and passed by, the Court. It is therefore important that the system of bookkeeping adopted be one that readily lends itself to these requirements; but this does not of itself appear to justify such a radical departure from all the principles of sound bookkeeping as is involved by the adoption of the so-called "cash system" which is so generally in use where solicitors, instead of accountants, have the conduct of matters. A simple Cash Account has, of course, the merit of simplicity, and where only a few transactions have to be recorded it is quite adequate for the requirements of the situation; but accounts upon a cash basis do not lend themselves conveniently to an exhaustive examination at some future date of *all* the transactions of the executors. This much must be admitted by the advocates of the "cash system," who even go so far as to put it forward as one of the advantages of their method that it obviates the necessity for numerous adjusting entries showing the difference of the original valuation of the assets and the amount they eventually realise. Seeing that the Executors are *primâ facie* responsible for the advantageous realisation of all property passing through their hands it will be seen that, however much the accounts may be simplified, they cannot fail to be seriously defective if they omit to record one of the most important points affecting the due discharge of the Executor's duties—viz., the shrinkage (or appreciation) on the realisation of the various items of property for which he is accountable. It has been further argued that accounts kept upon the "cash system" are preferred by the Rules of the Supreme Court. It is no doubt true that the Chancery Division of the High Court of Justice, in all cases, requires a Cash Account to be passed; but every adequate system of bookkeeping requires a proper Cash Account to be kept, and the mere fact that the Court is not up to date in its requirements does not dispose of the fact that the Cash Account is not, *in itself*, a complete record of all transactions. It is to be noticed that the Judge in Chambers may, in such way as he thinks fit, obtain the assistance of accountants and others, the better to enable any matter to be determined, and he may act upon the certificate of any such person (Order

LV., Rule 19). The employment of an accountant is ancillary to the taking of the accounts in Chambers (*Hutchinson v. Norwood*, 32 W.R. 392). From the point of view of the accountant there is this further advantage in the general adoption of the ordinary commercial system, that the accounts, being kept upon the same fundamental principles as all other classes of accounts, present only differences upon necessary points of detail, which can be readily grasped so soon as the requirements of the situation are duly appreciated. Unquestionably the *chief* requirement is a set of accounts that—even 50 years hence, if need be—will be perfectly intelligible to all parties interested and their professional advisers; and it can hardly be going too far to say that this end is more likely to be achieved by adopting the only system that has been found adequate to meet the requirements of business men, than by adhering to a system which—while still regarded as sufficient by the High Court of Justice—has remained without alteration and improvement ever since that Court existed. It has been thought desirable in the first place to clear the ground by pointing out the inadequacy of the system of accounts so generally favoured by lawyers; but this having now been done, the proper treatment of this section of accounts can be proceeded with without further delay. It is to be noted, however, that by Order XXXIII., Rule 3, the Court or Judge may give special directions as to the mode in which the account is to be taken or vouched.

CASH BOOK.

The most convenient form of Cash Book for Executorship Accounts is unquestionably one having separate columns in respect of Capital and Income. The balance of the Capital columns then shows the amount of Capital that for the time being is not invested, while the balance of the Income columns shows the amount of Income in hand that has not been distributed. Of course, if, under the terms of the Will, no one has a life-interest in the Estate (that is to say, no one is entitled to receive certain payments out of Income, and out of Income alone) there is no occasion to observe any distinction between Capital and Income, and accordingly the Income columns may be omitted from the Cash Book and the Income Account from the Ledger, all moneys received by way of Income being then credited direct to the Estate Account.

All moneys received should invariably be banked intact, and all payments made by cheque. If a Petty Cash Book be necessary, it should be kept upon the "imprest" system, so that eventually *all* cash payments may pass through the Cash Book and then be posted into the Ledger. A separate Bank Account should invariably be kept in connection with the estate; and if the executors are, under special directions contained in the Will, carrying on the business of the deceased, a complete set of separate accounts and a distinct bank account should be kept in respect of the business transactions.

The chief advantage of the double-column Cash Book is that, if it be written up from day to day, it provides all the information that the Executors would require to have constantly before them, thus enabling the Ledger to be posted up at more convenient intervals. This is especially convenient when the Ledger is kept by an Accountant, and not by the Executors themselves. The double-column Cash Book has also the further advantage that it offers a check upon the accuracy of the Income Account in the Ledger, seeing that the balance of the Income columns in the Cash Book should always agree with the Income Account in the Ledger.

THE JOURNAL.

In many cases the employment of a Journal for Executorship Accounts is unnecessary. Unless absolutely necessary a Journal is actually undesirable, as it is especially important that the fullest possible detail should be contained in the Ledger itself, while if a Journal be employed there is always the temptation to make "bare" entries in the Ledger, and include whatever explanation may be thought necessary in the Journal only. In many cases there would be no scope for the use of a Journal, except in connection with the opening

entries, and these can quite conveniently be made by way of transfers in the Ledger from the Estate Account to the various other accounts concerned. Where, however, the estate is a complicated one, and a considerable number of distributions "in kind" amongst beneficiaries take place, the employment of a Journal may be found a great convenience. But under no circumstances should its use be allowed to reduce the amount of detailed explanation appended to all entries in the Ledger itself.

THE LEDGER.

Concerning the Ledger, the only point that calls for special attention is that in the case of Investments separate columns should be provided for "Capital" and "income," and a further column upon each side for "quantities" of stocks or shares, so that the amount invested from time to time may be readily perceived, even if frequent realisations of investments take place at varying prices.

All moneys received by way of income should be posted from the Cash Book to the account recording the Investment, where they will appear in the Income column upon the credit side of the account. When the books are periodically balanced the credit balances of the Income columns on each Investment Account should be transferred to the Income Account. At interim balances (that is to say, when the books are merely being balanced periodically, and not at a time when an apportionment has to be made) all accruing interest should be disregarded, as the Executors are not accountable to the Beneficiaries for income until it is received, and it is convenient that the books should disclose what the Executors are accountable for, rather than the exact position of the estate, which latter is of little consequence, save when there is a change of life-tenants, or when a distribution of the estate (or of some portion of it) has to be made. Moreover, an accurate Balance Sheet, showing the exact position of the estate, can never be prepared without taking into account fluctuations in the value of the various investments, and it would be ridiculous to adjust these from time to time when such readjustments could mean nothing, and would only serve the purpose of complicating the accounts.

OPENING THE BOOKS.

In ordinary commercial bookkeeping the first step to be taken, when opening a set of books in respect of a new business, is to compile a Statement of Affairs, showing the financial position to date, and then to raise the various necessary accounts in the Ledger in accordance with that Statement. It is submitted that exactly the same procedure should be observed in connection with Executorship Accounts.

The authorities, from whom the Executors obtain the grant of Probate which authorises them to deal with the estate of the testator, require that a statement shall be submitted to them—in the prescribed form—of the affairs of the testator as at the date of his death. This statement must be verified by affidavit, and may very fairly be taken as the starting point for the Executor's books, seeing that it discloses under oath the whole estate passing into the hands of the Executors, for which they are accountable to the beneficiaries. If at any subsequent time it should be found that the original estimate of the position was a mistaken one—whether by way of over or under-estimate—an affidavit has to be filed with the Inland Revenue authorities, setting forth the full facts, and claiming a return of over-paid duty, or paying the under-paid duty, as the case may be. If, therefore, these affidavits, and the accounts in support thereof, be followed, it will be seen that they necessarily afford the most reliable and the best possible basis for opening the Executorship Accounts.

It is not proposed in the present work to consider in detail executorship law, or the duties leviable in executorship matters. The former would be quite foreign to the subject of this work, and the latter vary so from time to time that no detailed consideration of them could be expected to apply for more than a very limited space of time. The general principles, however, will doubtless remain constant, and it is unlikely in the extreme that any alteration in the law will be effected that will

render the form of accounts here advocated either inapplicable or inconvenient.

ESTATE DUTY ACCOUNT.

The form of Estate Duty Account at present in force is given on pages 102 to 109, and the various blanks have been filled in in accordance with the assumed facts of a typical case, which, it is thought, will sufficiently explain the leading features in connection with this particular class of accounts. This account should be carefully studied in conjunction with the explanatory notes and instructions supplied with the form, and the reader will then be in a position to consider further the best method of opening the books in accordance with the position there disclosed.

PROBLEM.—X. died on 30th November 1900, his Estate on that date being as follows:—

	£
Cash in House	10
Cash at Bank	1,000
Household Furniture	500
Leasehold Property valued at £1,000 (let at £60 a year, rent payable half-yearly, 30th June and 31st December, paid to 30th June 1900).	
Freehold Property (hitherto in deceased's occupation)	2,000
30 £10 shares in the Mont Blanc Ice Company, Lim., quoted at £$14\frac{15}{16}$-$15\frac{3}{16}$ per Share (dividend for the year ended 31st December 1900, 10 per cent., paid 31st December 1900).	
£1,000 5 per cent. Debentures East Western Railway Company, Lim., quoted at $159\frac{3}{4}$-$160\frac{3}{4}$ (interest payable half-yearly 31st June and 31st Dec.).	

X. was partner in a business, and accounts were taken at the date of his death showing his share to be:—Capital, £4,000; share of profit to date of death £550, less drawings to same date £450. Debts due from deceased at the date of his death amounted to £300, and the funeral expenses were £100.

Prepare an Account for Probate, and show upon what amount duty was payable, the account being rendered on 31st March 1901.

ACCOUNT No. 1.

Personal Property situate in the United Kingdom, and Real Property situate in England, for or in respect of which the Grant is to be made.

Where there is not sufficient space to insert all the particular details of the different items, a separate schedule should be annexed.

The Property situate in Scotland and Ireland respectively should be so marked.

FIRST PART.—Personal Property.

No Foreign Property should be included in this Account.

	Nominal Value of Stocks	Market Price of Stocks at date of Death (*)	Gross Principal Value at date of Death
	£ s d		£ s d
Stocks or Funds (including Exchequer Bills) of the United Kingdom, viz.:—			
Stocks, Funds, or Bonds of Foreign Countries, or of British Dependencies and Colonies, transferable in the United Kingdom, viz.:—			
Proprietary Shares or Debentures of Public Companies (A)—			
30 £10 Shares in Mont Blanc Ice Co., Lim.	300 0 0	15	450 0 0
£1,000 5% Debentures East Western Railway Co., Lim. ..	1,000 0 0	160	1,600 0 0
Dividends and Interest declared and accrued due, in respect of the above Investments, *as per statement annexed*, to date of death			

(NOTE.—Unless stocks and shares are quoted ex. div., the market price includes accruing dividends and interest.)

		Gross Principal Value at date of Death
Cash in the House		10 0 0
Cash at the Bankers (B) { (1) on Drawing Account, and Interest (if any) thereon to date of death		1,000 0 0
(2) on Deposit, and Interest thereon to date of death		
Money out on Mortgage, and Interest thereon to date of death, *as per statement annexed*.		
Money out on Bonds, Bills, Promissory Notes, and other Securities, and Interest thereon to date of death, *as per statement annexed*		
Book Debts		
Other Debts, *as per list annexed*		
Unpaid Purchase Money of Real and Leasehold Property contracted in lifetime of the Deceased to be sold		
Deceased's interest in proceeds of sale of Real Property directed to be sold by settlement or by will of some other person whether actually sold or not, estimated at (C)		
Personal Property over which the Deceased had and exercised by will an absolute power of appointment (C)		
Policies of Insurance, and Bonuses (if any) thereon, on the life of the Deceased, *as per statement annexed*		
Saleable value of Policies of Insurance and Bonuses (if any) on the life of any person other than the Deceased, *as per statement annexed*		
(D) Household Goods, Pictures, China, Linen, Apparel, Books, Plate, Jewels, Carriages, Horses, &c.—		500 0 0
(E) If sold, realised gross £		
If unsold, estimated at £	500 0 0	
Stock-in-Trade, Live and Dead Farming Stock, Implements of Husbandry, &c.—		
If sold, realised gross £		
If unsold, estimated at £		
Goodwill of Business, if taken over at a price .. .. £		
If valued according to custom of trade .. .. .. £		
If neither, estimated at .. .. £		
(viz.,..........years' purchase of net profits.)		
(F) Profits of Business from....................1...... to date of death		
(G) Ships and Shares of Ships registered at Ports in the United Kingdom, and Profits of same to date of death, *as per statement annexed* (H), estimated at		
The Deceased's share in Real and Personal Property as a Partner in the Firm of X. & Y... ..		
.... *as per Balance Sheet annexed*, signed by the surviving Partners..		4,100 0 0
If none, estimated at..		

* *Market Price of Stocks, &c.*—When there is a published quotation, a price one quarter up from the lower to the higher of the official "closing prices" should be adopted as an estimated price. For example:—Where the "closing prices" were "98—100," the market price is $98+\frac{100-98}{4}=98\frac{1}{2}$. Where the death occurred on a Sunday, or other day for which no prices are available, the price for the day before should be taken.

(A) Published Quotations or Brokers' Certificates, or letters from the Secretaries of the Companies, showing the market price at the date of death, should be attached (*).

(B) The name or names of the banks should be stated.

(C) If the power or Interest was derived under a Will, state name and date of death of the Deceased, but if under a Deed, state the date, together with names and addresses of the Trustees, and if the Deed has been already produced give the official reference appearing upon it.

(D) Annex a schedule of such specific articles bequeathed for national or quasi-national purposes as are within the purview of sect. 15 (2) of the Finance Act, 1894. See Clauses 28 and 35 of Form A—2. State the value in each case, and whether the Treasury has remitted the Estate duty thereon, and if not whether it is intended to apply for remission.

Annex also a schedule of such specific articles settled to be enjoyed in kind in succession by different persons as are within the purview of sect. 20 (1) of the Finance Act, 1896. See Clauses 29 and 36 of Form A—2. State the value in each case, and whether the Treasury has authorised the application of the section to them, and if not whether it is intended to apply for authorisation. State also whether the property has yet been sold, or is in the possession of a person now competent to dispose of it.

(E) If there is a valuation, it should be annexed. The Commissioners reserve the right to require the separate value of each item to be stated, and in the case of pictures the names of the artists.

(F) State date from which profits are computed.

(G) A valuation must be annexed.

(H) These words to be cancelled where the amount is actually ascertained.

Carried forward .. .. £ 7,660 0 0

ACCOUNT No. 1 (First Part)—*continued.*

(I) No Mortgage Debt created or *incurred* by the Deceased himself is to be deducted unless such debt was created or incurred *bonâ fide* for full consideration in money or money's worth wholly for the Deceased's own use and benefit.

(K) If the interest was derived under a will, state name and date of death of the Deceased; but if under a Deed state the Date, together with names and addresses of the Trustees, and if the Deed has been already produced give the official reference appearing upon it.

(L) All Interests in Expectancy in personal property, whether vested or contingent, should be included, whether or not the property is chargeable with Estate Duty, on the Deceased's death as passing under the earlier disposition.

(M) But where the Deceased was entitled to the interest expectant upon his own death, or upon the death of another person who survives him, and Estate Duty is payable upon the corpus or the property on the Deceased's death, the Interest in Expectancy is not also chargeable with Estate Duty on Deceased's death as part of his free Estate. Although, as it is in fact part of his free Estate, its value must be looked at for the purposes of the Probate Court. The Interest in Expectancy should be brought into this Affidavit, and be taken out again in the Summary on p.

(N) *No deduction is to be taken here unless Treasury authority has been first obtained.*

N.B.—Where the space is insufficient, the account or schedule should be continued on a separate sheet.

	Gross Principal Value at date of Death. £ s d
Brought forward	7,660 0 0
Leasehold Property (for years) *as per detailed description subjoined or annexed.*— Giving— 1. Particular description. 2. Term unexpired at date of death. 3. Gross rents, where let, or if not let, either the *gross* assessment to property tax (not the *reduced* assessment *for collection of Income Tax*, under Finance Act, 1894, s. 35) or *gross* (not rateable) assessment to Poor Rate. 4. The Ground Rent. 5. The nature and amount of the yearly outgoings paid by the Lessee as owner. — If sold, realised gross £ ; If unsold, estimated at £ 1,000 0 0; Less (I) a Mortgage Debt of .. £ 1,000 0 0 due from the Deceased and created by an Indenture dated the....day of........1.... for which the said Leasehold Property is the sole security.	1,000 0 0
Rents of the Deceased's own Real and Leasehold Property due prior to the death, but not received by the Deceased, (H) estimated at	
Apportionment of the rents of the Deceased's Real and Leasehold Property to date of death (H) estimated at	25 0 0
(K) Income accrued due, but not received prior to the death, arising from Real and Personal Property of which the Deceased was Tenant-for-life, or for any less period, viz., ...	
Apportionment of such Income to date of death	
The Deceased's Interest (L) expectant upon the death of .... now aged..................years, under the Will of.................. proved..................or under a Settlement dated the ....day of..................1........, and made between .... (setting out the parties to the Deed) in the property (M) set out in the statement annexed, and of which Fund the present Trustees are..................	
(K) Other Personal Property not comprised under the foregoing heads, viz.,..................	

	£ s d
(a) Gross Personal Property in First Part of Account No. 1	£ 8,685 0 0
N.B.—(a) is the "gross value" which is to be carried to par. 3 on page 1*	
(b) Deduct total of First and Second Parts of Schedule No. 1	£ 400 0 0
N.B.—(b) is the "aggregate amount" which is to be carried to par. 5 on p. 1*	
(c) Net Personal Property in First Part of Account No. 1.	£ 8,285 0 0
N.B.—(c) is the reduced "value" which is to be carried to par. 5 on p. 1*	
(d) Deduct (N) specific articles [see note (D) on page 102] whereon Estate duty is either not payable at all, or is not now payable	£
(e) Balance remaining	£ 8,285 0 0
(f) Deduct net settled Personal Property (if any) in Account No. 1 (First Part), *in so far as the same is not fully aggregable with the free property.* [See Clauses 33 and 34 (particularly the last part of Clause 33 (3)) of the Form A—2]	£
(g) Balance remaining	£ 8,285 0 0

N.B.—(g) is the amount of "Personal Property [Account No. 1 (First Part)]" which is to be carried to Part I. of the Summary.
(f) is to be carried to Part II. of the Summary. — £ 8,685 0 0

ACCOUNT No. 1—*continued.* Second Part.—Real Property in England.

For use *only* where the Deceased died on or after the 1st January 1898.

(*Note.—This Account is* NOT *to include land of copyhold tenure or customary freehold where an admission, or any act by the lord of the manor, is necessary to perfect the title of a purchaser from the customary tenant.*)

** Interests in expectancy in Real Property, where the circumstances are otherwise appropriate, should be included here, as well as interests in possession. Particulars, as in the case of interests in expectancy in Personal Property (see First Part above), should be furnished.

(C) See Note (C) on page 102.

	Gross *Annual* Value at Date of Death	Gross Principal Value at date of Death £ s d
Real Property in England vested in the Deceased without a right in any other person to take by survivorship .. .. .. (The particulars of that part of the property in respect of which the duty is to be now paid are stated in the First Part of the Account No. 5, and of that part of the property in respect of which the duty is not to be now paid in an "appropriate account" marked........)		2,000 0 0
(C) Real Property in England over which the Deceased executed by will a general power of appointment .. .. .. (The particulars of that part of the property in respect of which the duty is to be now paid are stated in the Third Part of the Account No. 5, and of that part of the property in respect of which the duty is not to be now paid in an "appropriate account" marked.........)		
N.B.—This is the "gross value" which is to be carried to par. 6 on p. 1*		£ 2,000 0 0

To be signed by the persons making oath or affirmation

Total of First and Second Parts ..	£ 10,685 0 0

N.B.—This, where the deceased died on or after the 1st January 1898, is the "aggregate gross value" which is to be carried to par. 7 on p. 106.
Where the Deceased died before that date, the total of the *First* Part will be such "aggregate gross value."

* *This page has not been reproduced, as it does not affect the accounts.*

N.B.—WHERE THE SPACE IS INSUFFICIENT, THE ACCOUNT OR SCHEDULE SHOULD BE CONTINUED ON A SEPARATE SHEET.

SCHEDULE No. 1.

FIRST PART.—An account of the debts due, and owing from the Deceased, to persons resident in the United Kingdom, or due to persons resident out of the United Kingdom, but contracted to be paid in the United Kingdom, or charged on property situate within the United Kingdom.

Where the debts on the Deceased's personal property exceed the value thereof, and the deficiency is a proper deduction for Estate Duty purposes against the Deceased's real property, deduction of such deficiency may be taken in Schedule No. 5.

NOTE	Name and Address of Creditor	Description of Debt (This should include the date and short particulars of any security for the Debt.)	Amount
NOTE.—See Clauses 52 to 54 of the Form A—2 as to what debts may *not* be deducted. A STATEMENT OF ANY DEBTS PAYABLE BY LAW OUT OF THE PERSONAL PROPERTY IN ACCOUNT NO. 1, BUT WHICH CANNOT BE DEDUCTED AGAINST ESTATE DUTY, SHOULD BE ANNEXED TO THE SCHEDULE BY WAY OF RIDER. *Where a debt is claimed to be due to the husband or wife, or any other member of the Deceased's family, a full explanation should be given, and evidence of the debt should be annexed.* A mortgage debt not created by the Deceased himself but charged on real property which was acquired by the Deceased subject to the mortgage is primarily payable out of such real property and must not be deducted here. A mortgage debt created by the Deceased himself on his real property, but which is payable by his heir or his devisee under "Locke King's Act," 17 & 18 Vict. c. 113, is a debt in respect of which reimbursement may be claimed and must not be deducted here, unless such reimbursement cannot be obtained. A debt for payment of which the Deceased was surety only must not be deducted, unless the executor has already paid it, and cannot recover it from the original debtor. Where the debt is for "money lent" or "overdraft" to a Bank, the date of the loan and the particulars of the security, if any given, or, if none, the facts relied on, as showing that the debt is legally recoverable, should be stated.	[Full particulars to	be inserted here.]	£ s d 300 0 0
		£	300 0 0

SECOND PART.—An account of the funeral expenses of the Deceased.

NOTE	Particulars		£ s d
NOTE.—The cost of mourning or tombstone cannot be deducted.	Toombes & Son, Undertakers		100 0 0
		£	100 0 0
	To be signed by the persons making oath or affirmation } Total of First and Second Parts ..	£	400 0 0

ACCOUNT No. 2.

Personal or movable property situate abroad, which is not saleable or transferable in the United Kingdom.
NOTE.—Property saleable or transferable in the United Kingdom should be included in Account No. 1 as "Personal Property situate in the United Kingdom."

Particulars and Local Situation of the Property.		Principal Value at date of Death
It should be clearly shown how the value of the property expressed in English money is arrived at.		
	Gross Value .. .. £	
	Deduct Total of Schedule No. 2 .. £	
To be signed by the persons making oath or affirmation }	Net Value .. .. } £ N.B.—This is the amount to be carried to Summary.	

SCHEDULE No. 2.

An account of the debts due and owing from the Deceased to persons resident out of the United Kingdom, other than debts contracted to be paid in the United Kingdom or charged on property situate within the United Kingdom, which have been deducted in the above Schedule No. 1.

NOTE	Name and Address of Creditor	Description of Debt (This should include the date and short particulars of any security for the debt.)	Amount
See Clauses 52 to 54 of the Form A—2 as to what debts may *not* be deducted, AND SEE FIRST TWO NOTES TO SCHEDULE NO. 1. Deduction may be here claimed (*a*) of any duty payable in any *foreign* country by reason of the Deceased's death in respect of property situate in that *foreign* country and included in the Account No. 2, and (*b*) of an amount not exceeding 5 per cent. on the value of any property in the Account No. 2, representing *additional* expense incurred in administering or realising such property by reason of its being situate *out of the United Kingdom*.			£ s d
	To be signed by the persons making oath or affirmation }	£	

NOTE.—If any part of the property is *not fully aggregable with the Deceased's free property*, a separate statement should be annexed showing, in the case of each Account, (*a*) the amount *fully aggregable with the free property*, (*b*) the amount of any property which *would* be fully aggregable with the free property, but *is not* because the free and other unsettled property is, by reason of its small value, an "Estate by itself" [see Clause 34 of the Form A—2], (*c*) the amount of any "Estate by itself," and, WHERE THE DECEASED DIED ON OR AFTER THE 9TH APRIL 1900, (*d*) the amount of any "settled property" liable to limited aggregation. The several amounts should be separately carried to the Summary. See Clauses 33 to 36 of the Form A—2 as to aggregation.

________________________________ deceased.

ACCOUNTS Nos. 3 (A) AND 3 (B).

3 (a). An account of the PERSONAL property, whether in possession or reversion, OTHER THAN THAT IN THE ACCOUNTS Nos. 1 and 2, of which the Deceased at the time of his death was *competent to dispose* within the meaning of the Finance Act, 1894 [see Sec. 22 (2) (a)], but of which he did *not* dispose. *The duty on this property* MUST BE PAID *on the delivery of this Affidavit.*

3 (b). An account of money which the Deceased had, at the time of his death, a general power to charge on real property whether the power was exercised by his will or not. *The duty on this property* MUST BE PAID *on the delivery of this Affidavit.*

Short material particulars of Disposition conferring the Power, with date of and names of any Parties to any Deed, and name of any Testator, and date of Probate of his Will	Particulars of Property (A separate statement should be attached giving full particulars, as in Account No. 5 on page 106, of any Leaseholds for years.)	Principal Value at date of Death
		£ s d
3 (a)		
	Gross Value .. .. £	
	† Deduct Debts and Incumbrances upon Leaseholds £ (†A separate statement marked Schedule No. 3 (a) should be attached, giving full particulars as in Schedule No. 5 on page 106.)	
	Net Value .. .. £ N.B.—This is the amount to be carried to Summary (see Note).	
3 (b) (i.) Where the power was exercised		
(ii.) Where the power was not exercised		
To be signed by the persons making oath or affirmation	N.B.—This is the amount to be carried to Summary £	

ACCOUNT No. 4.

An account of OTHER PERSONAL property passing on the Deceased's death (including Leaseholds for years in which the Deceased's interest was less than an absolute interest), *whereon the Estate Duty is* ELECTED TO BE *paid on the delivery of this Affidavit.*

Title to Property Date and short material particulars of Disposition, with date of and names of Parties to any Deed, and name of any Testator, and date of Probate of his Will. The names and addresses of the beneficiaries should also be given, together with their relationship (*a*) to the Deceased, and (*b*) to the predecessor from whom the property is derived	Particulars of Property (A separate statement should be attached giving full particulars, as in Account No. 5 on page 106, of any Leaseholds for years.)	Principal Value at date of Death
		£ s d
	Gross Value .. .. £	
	† Deduct Debts and Incumbrances upon Leaseholds £ († A separate statement marked Schedule No. 4 should be attached giving full particulars as in Schedule No. 5 on page 106.)	
	Net Value .. .. £ N.B.—This is the amount to be carried to Summary (see Note).	

ACCOUNT No. 5.

An Account of REAL Property passing on the Deceased's Death, *whereon the Estate duty is* ELECTED TO BE PAID *on the delivery of this Affidavit.*

TITLE UNDER WHICH THE PROPERTY PASSES ON THE DEATH OF THE DECEASED. Date and short material particulars of disposition, with date of any deed, and names of parties thereto, and name of any testator or intestate, and date of probate of his will or grant of administration. The names and addresses of the beneficiaries should also be given, together with their relationship (*a*) to the Deceased, and (*b*) to the predecessor from whom the property is derived.	PARTICULARS OF REAL PROPERTY: Description of property, including situation, tenure, quantity, tenants' names, and nature of tenancy, and distinguishing between arable, meadow, pasture, orchards, gardens, woods, moors, commons, wastes, pleasure grounds, building land, &c.	Rental, if let, or gross (not rateable) value for the poor rate, if unlet and not assessed to property tax	Value for property tax. State the *gross* assessment (and not the *reduced* assessment *for collection of Income Tax* under Finance Act 1894, s. 35)	Nature of deductions from the gross annual value. Tenants' outgoings should not be deducted unless paid by owner	Amount of Deductions	Net Annual Value	Number of Years purchase as estimated	Estimated principal value at date of death, at gross amount realised, *if since sold* and date of completion of sale
		£ s d	£ s d		£ s d	£ s d		£ s d
FIRST PART.—Real Property passing under the Deceased's will or intestacy, other than the property in Second Part (below)								
England— Scotland and Ireland—	[Full particulars	to be recorded	here.]					2,000 0 0
SECOND PART.—Land of copyhold tenure or customary freehold, passing as in First Part (above) where an admission or act by the Lord of the Manor is necessary to perfect the title of a purchaser from the customary tenant								
THIRD PART.—Real property over which the Deceased executed by will a general power of appointment, other than the property in Fourth Part (below)								
England— Scotland and Ireland—								
FOURTH PART.—Land as in Second Part (above) over which the Deceased executed a power as in Third Part (above)								
FIFTH PART.—Real Property passing under other titles, viz.:—								
NOTE.—If any part of the property in this Account is *not fully aggregable with the Deceased's free property*, a separate statement should be annexed showing (*a*) the amount *fully aggregable with the free property*, (*b*) the amount of any property which *would* be fully aggregable with the free property, but *is not* because the free and other unsettled property is, by reason of its small value, an "Estate by itself." [See Clause 34 of the Form A—2], (*c*) the amount of any "Estate by itself," and, WHERE THE DECEASED DIED ON OR AFTER THE 9TH APRIL 1900, (*d*), the amount of any "settled property," liable to limited aggregation. The several amounts should be separately carried to the Summary. See Clauses 33 to 36 of the Form A—2 as to aggregation.					Gross value.................. £			2,000 0 0
					Deductions in Schedule No. 5 .... £			*Nil*
					Net value.................. N.B.—This is the amount to be carried to Summary [see Note]............ £			2,000 0 0

To be signed by the person making oath or affirmation }

Observe.—As to Agricultural property, see Clause 46 of Form A—2.
If the real property include unlet fishing or sporting rights, church patronage, timber, unlet building land, mines, or other property which has no annual value, or the annual value whereof is no criterion of the principal value, full details should be given. Where the property is licensed it should be expressly so stated, and the particulars of the lease and other lettings should be fully set out.
Generally, as to all property, all such particulars should be furnished as are requisite to arrive at the principal value.

SCHEDULE No. 5.

An Account of the debts and incumbrances upon the Real Property in Account No. 5. (See Clauses 52 to 54 of the Form A—2 as to what debts and incumbrances may *not* be deducted, AND SEE FIRST NOTE TO SCHEDULE No. 1.) *Where the debts on the Deceased's real property exceed the value thereof, and the deficiency is a proper deduction for Estate duty purposes against the Deceased's personal property, deduction of such deficiency may be taken in Schedule No. 1.*

Nature of debt or incumbrance and by whom created	Short material particulars of security, with date of and names of parties to any deed, and name of any testator, and date of Probate of his will	Short particulars of property charged, to identify it in above account	Names and addresses of persons to or in whom the debt or incumbrance is now due or vested	Amount of debt or incumbrance
				£ s d
			Total .. £	

To be signed by the person making oath or affirmation }

....deceased.

SUMMARY OF AFFIDAVIT.

This Summary is not on oath, and if wrong may be amended without the Affidavit being resworn.

PART I.—THE DECEASED'S FREE PROPERTY AND PROPERTY FULLY AGGREGABLE THEREWITH.

(As to Aggregation, see Clauses 33 to 36 of the Form A—2.)

FIRST TABLE.—For determining Rate of Estate Duty	Net Value of Property: Personal £ s d	Real £ s d
I. Personal Property [Account No. 1 (First Part)]	8,285 0 0	
II. " " [" " 2]		
III. " " [" " 3 (a)].. ..		
IV. " " [" " 3 (b)].. ..		
V. " " [" " 4]		
VI. Real " [" " 5]	..	2,000 0 0
VII. Total net values of Personal and Real property, respectively, in Accounts Nos. 1 (First Part), 2, 3 (a), 3 (b), 4, and 5	8,285 0 0	2,000 0 0
VIII. *Deduct* value of Interests in Expectancy in Property on the corpus whereof Estate duty is payable on the Deceased's death under the earlier disposition, provided that the Property is itself *fully aggregable with the free property, but not otherwise.* [See note (M) at page 103.] Deduct no other Interests in Expectancy here £		
IX. Total net values of Personal and Real Property, respectively, in Accounts Nos. 1 (First Part), 2, 3 (a), 3 (b), 4, and 5, for determining Rate of Estate Duty	8,285 0 0	2,000 0 0
X. *Add* other Property *fully aggregable with free property* [See par. 14 of Affidavit, and marginal notes 18 and 19 on page 2 (not reproduced)], passing on the Deceased's death in respect of which Estate Duty is NOT to be paid on this Affidavit £		
XI. Total net values of Personal and Real Property respectively .. .. £	8,285 0 0	2,000 0 0
XII. Carry down into "*Personal*" column from No. XI. the total value of Real Property £	2,000 0 0	
XIII. Total net value of Personal and Real Property	10,285 0 0	
XIV. This is No. XIII., but "adjusted," if adjustment is necessary [Read Note (*) on page 109] £	10,285 0 0	

XV. The appropriate RATE of Estate Duty [See clause 70 of Form A—2] is........per cent. [Read foot-note (†) on this page.]

SECOND TABLE.—For determining Value on which Estate Duty or an instalment thereof is to be now paid.	Net Value of Property: Personal £ s d	Real £ s d
XVI. Values as in No. VII. above	8,285 0 0	2,000 0 0
XVII. *Deduct* value, or a proportion thereof, of Interests in Expectancy such as are mentioned in note (M) on page 103, whether the Property itself *is or is not fully* aggregable with the free property, *including* any deducted at No. VIII. above [Read Note (**) on page 109] .. £		
XVIII. Balance	8,285 0 0	2,000 0 0
XIX. *Deduct* value of *other* Interests in Expectancy, in respect of which Estate Duty is payable, but is elected to be paid when the Interest falls into possession:— Account No.......£........ " " ......£........ } £		
XX. Net values of Personal and Real Property, respectively, for determining amount of Estate Duty .. .. £	8,285 0 0	2,000 0 0
XXI. This is No. XX., but "adjusted," if adjustment is necessary [Read Note (*) on page 109] £	8,285 0 0	2,000 0 0

THIRD TABLE.—For determining AMOUNT of Estate Duty and interest to be now PAID.	£ s d
A.—Estate Duty on the net value of the PERSONAL Property (XX.), adjusted (*) if necessary (XXI.), at the appropriate rate (XV.) of 4 per cent. .. £	331 8 0
Deduct duty payable in any British possession, to which sec. 20 of the Finance Act, 1894, applies by reason of the Deceased's death, in respect of Property situate in such possession. (The deduction is not to exceed the amount of the Estate Duty to be now paid on the Property in respect of which such duty is payable) .. .. £	
Net duty .. .. £	331 8 0
Deduct duty paid or payable, to which sec. 21 of the Finance Act, 1896, applies, in respect of the property. (The deduction is not to exceed the amount of the Estate Duty to be now paid on the property in respect of which such duty has been paid or is payable) .. .. £	
Net duty .. .. £	331 8 0
Add 3 per cent. per annum interest thereon, from day after death, viz., 30th November 1900, till date of delivery of affidavit, viz., 31st March 1901, both days inclusive, *i.e.*,........years and 121 days ..	3 6 4
Total duty and interest (Personal Property) £	334 14 4
B.—Estate Duty on the net value of the REAL Property (XX.), adjusted (*) if necessary (XXI.), at the appropriate rate (XV.) of 4 per cent. .. £ Whole duty .. .. £80 0 0 ⅛th or $\frac{1}{16}$th thereof .. .. £ } £	80 0 0
[Read Note (‡) on page 109.]	
If the Deceased has been dead more than a year [Read Note (§) on page 109], *and the whole duty is to be now paid*—	
Add 3 per cent. per annum interest upon the whole duty, from day after expiration of 12 months after death till date of delivery of affidavit, both days inclusive, *i.e.*,..........years and.......... days .. .. £	
But if only the instalments due are to be now paid—	
Add 3 per cent. per annum interest upon *whole* duty from day after expiration of 12 months after death till date when *last overdue* instalment was payable, both days inclusive, *i.e.*,............years and ....months .. .. £	
Add 3 per cent. per annum interest upon amount of *overdue* instalments, from day after date when *last overdue* instalment was payable till date of delivery of affidavit, both days inclusive, *i.e.*,......days £	
Total duty and interest (Personal and Real) Property .. .. } £	414 14 4

[*Continued on page* 108]

† If Deceased died *before* 9th April 1900, the *adjusted* value at XIV. determines the rate of Duty.

If Deceased died *on or after* 9th April 1900, then if the free and unsettled property, by reason of its value, is an "Estate by itself" [See Clause 34 of the Form A—2], the value at XIII. determines the Rate of Duty. But if the free and other unsettled property is not an "Estate by itself" the Rate is to be thus arrived at:—

		£ s d
(a) Value at XIII. above	£	
(b) Total value of "settled property" liable to limited aggregation	£	
(c) Totals of (a) and (b)	£	

(d) The appropriate Rate for (a), treated as an "Estate by itself," is .. ..per cent.

(e) The appropriate Rate for (c), treated as fully aggregable property, is .. ..per cent.

(f) If (e) exceeds (d), (d) is to be raised one-half per cent., and the resulting Rate, viz., ...per cent. is the appropriate Rate for (a). But if (e) is equal to (d), then (d) is the appropriate Rate for (a).

PART II.—Property not FULLY Aggregable with the Deceased's Free Property.

Each "Estate by itself," or "Settled Property" liable to limited aggregation, should be separately shown. If the spaces provided are not sufficient, additional statements in similar form should be annexed.

FOURTH TABLE.—For determining RATE of Estate Duty on an "Estate by itself."

	No. of Account	Whether Real or Personal	Value of "Estate by itself"	
			Actual	As adjusted (*) where necessary
I.			£ s d	£ s d
II.	The appropriate RATE of Estate Duty [see Clause 70 of Form A—2] is.............per cent.			

NOTE.—If the property passes in equal shares to more than one person, and each share is an "Estate by itself," Tables Fourth and Seventh or Eighth should be filled up in respect of one share only, and the amount of the duty and interest so ascertained in respect of one share should be multiplied by the number of shares to ascertain the total amount payable. Where the shares are unequal, each share should be separately shown.

Number of separate "Estates" .. ..

Total duty and interest in respect thereof .. ..£

FIFTH TABLE.—For determining RATE of Estate Duty on "Settled Property" liable to limited aggregation.

	No of Account	Whether Real or Personal	Value of "Settled Property"
			Actual
I.	.		£ s d
II.	The appropriate RATE of Estate Duty [see Clause 70 of Form A—2] is.............per cent.		

NOTE.—The appropriate RATE of Estate Duty at II. above is to be thus arrived at:—

(a) The total net principal value of all property liable to Estate Duty on the Deceased's death, as disclosed by this affidavit .. .. £

(b) *Deduct* the value of any property forming an "Estate by itself" .. .. £

(c) There remains the total value of the property which is liable to either full or limited aggregation .. £

(d) The appropriate Rate for the "Settled Property," treated as an "Estate by itself," is .. ..per cent.

(e) The appropriate Rate for (c), treated as fully aggregable property, is .. ..per cent.

(f) If (e) exceeds (d), (d) is to be raised one-half per cent., and the resulting Rate, viz., ...per cent. is the appropriate Rate for the "Settled Property," But if (e) is equal to (d), then (d) is the appropriate Rate.

SEVENTH TABLE.—[For Personal Property.] For determining AMOUNT of Estate Duty and interest to be now PAID on the "Estate by itself," referred to in Fourth Table, or the "Settled Property" referred to in Fifth Table, or the property referred to in Sixth Table.

A.—Estate Duty on the net value of the PERSONAL Property (I.), adjusted (*) if necessary, at the appropriate rate (II.) of.........per cent. .. .. £

Deduct duty payable in any British Possession, to which Section 20 of the Finance Act, 1894, applies, by reason of the Deceased's death, in respect of property situate in such possession. (The deduction is not to exceed the amount of the Estate Duty to be now paid on the property in respect of which such duty is payable) .. £

Net duty .. .. £

Deduct duty paid or payable, to which Section 21 of the Finance Act, 1896, applies, in respect of the property. (The deduction is not to exceed the amount of the Estate Duty to be now paid on the property in respect of which such duty has been paid or is payable.) .. £

Net duty .. .. £

Add 3 per cent. per annum interest thereon, from day after date of death, viz.,.............1...., till date of delivery of affidavit, viz.,...... ......190.., both days inclusive, *i.e.*,..........years and........days .. £

Total duty and interest (Personal Property) .. £

SIXTH TABLE.—For determining RATE of Estate Duty on property which would be fully aggregable with the Free and other unsettled property, were not such Free and other unsettled property an "Estate by itself."

	No. of Account	Whether Real or Personal	Value of Property	
			Actual	As adjusted (*) where necessary
			£ s d	£ s d
I.				
II.	The appropriate RATE of Estate Duty [see Clause 70 of Form A—2] is.............per cent.			

NOTE.—The appropriate RATE of Estate Duty at (II.) above is to be thus arrived at:—

(a) Value at (I.) above .. ..£

(b) Add value of other property liable to full aggregation .. ..£

(c) Total value of property liable to full aggregation .. ..£

(d) Add value of "Settled Property" liable to limited aggregation .. .. £

(e) Total value of property liable to full and limited aggregation .. .. £

(f) The aggregate Rate for (c), treated as an "Estate by itself," is .. ..per cent.

(g) The appropriate Rate for (e), treated as fully aggregable property, is .. ..per cent.

(h) If (g) exceeds (f), (f) is to be raised one-half per cent., and the resulting Rate, viz., ...per cent. is the appropriate Rate for (a). But if (g) is equal to (f), then (f) is the appropriate Rate.

EIGHTH TABLE.—[For Real Property.] For determining AMOUNT of Estate Duty and interest to be now PAID on the "Estate by itself," referred to in Fourth Table, or the "Settled Property" referred to in Fifth Table, or the property referred to in Sixth Table.

B.—Estate Duty on the net value of the REAL Property (I.), adjusted (*) if necessary, at the appropriate Rate (II.) of ....per cent.

‡ Whole duty .. .. .. £............. } £
$\frac{1}{8}$th or $\frac{1}{16}$th thereof .. .. £.............

If the Deceased has been dead more than a year (§) and the whole duty is to be now paid—

Add 3 per cent. per annum interest upon the whole duty from day after expiration of 12 months after death till date of delivery of affidavit, both days inclusive, *i.e.*, ...years and...............days .. .. £

But if only the instalments due are to be now paid—

Add 3 per cent. per annum upon *whole* duty, from day after expiration of 12 months after death till date when *last overdue* instalment was payable, both days inclusive, *i.e.*..............years and ....months.. £

Add 3 per cent. per annum interest upon amount of *overdue* instalments, from day after date when *last overdue* instalment was payable till date of delivery of affidavit, both days inclusive, *i.e.* ....days .. £

Total duty and interest (Real Property) .. .. £

* ‡ § See the Notes on page 109.

NOTE.—The Estate Duty in respect of Annuities provided by the Deceased otherwise than by his will, which are referred to in Section 2 (1) (d) of the Finance Act, 1894, may be paid by four annual instalments [see Clause 63 of the Form A—2]. No interest is chargeable for the first year after the Deceased's death. If the duty, or a part thereof, is to be now paid, adapt the Fourth and Eighth Tables to meet the case.

If an "Estate by itself," or "Settled Property" liable to limited aggregation, or a fully aggregable property, consists partly of Personal Property and partly of Real Property, adapt the Tables to meet the case.

....deceased.

* *Where the Deceased died on or after the 9th April 1900 the duty is chargeable upon the exact net principal value of the Estate, both as regards rate and amount of duty.*

Where the Deceased died on or after the 1st July 1896, but before the 9th April 1900, the net principal value of the Estate should be *decreased* to an even multiple of £100, except that where the net value exceeds £100, and does not exceed £200, the duty is £1.

Where the Deceased died after the 1st August 1894, but before the 1st July 1896, the net principal value of the Estate should be *increased* to an even multiple of £10.

See Clause 72 of the Form A—2 for more detailed information.

The values, *so adjusted*, where necessary, should be written in the spaces provided (XIV. and XXI.) below the true values (XIII. and XX.), and the rate of duty, and amount of duty and interest, should be computed upon the *adjusted* values, and not upon the true values.

Real property directed to be sold at or after the Deceased's death, whether actually sold or not, is to be treated as REAL property.

** If the Property, the subject of the Interest in Expectancy, forms an "Estate by itself," or is "Settled Property" liable to limited aggregation, and is chargeable at the *same* or a *higher* rate of Estate Duty than the *fully* aggregated "one estate," deduct at No. XVII. the *whole* value of the Interest in Expectancy. But if the "Estate by itself" or "Settled Property," liable to limited aggregation, is chargeable at a *lower* rate, then deduct only so much of the value of the Interest as represents that lower rate. Thus, if the "Estate by itself," or "Settled Property" liable to limited aggregation, is chargeable at 2 per cent., and the *fully* aggregated "one estate" at 3 per cent., deduct two-thirds, and if the rates are 3 per cent. and 7 per cent. respectively, deduct three-sevenths, and so on. If payment of the duty which still remains to be paid is elected to be deferred until the interest falls into possession, then deduct the *remaining* part of the value (in the above examples, one-third and four-sevenths respectively) at No. XIX.

‡ If at the time of the delivery of this affidavit *not more than* 12 months has expired since the date of the Deceased's death, carry out the whole duty, or ⅛th or $\frac{1}{16}$th of it, according as the duty is to be paid in one sum, or by yearly or by half-yearly instalments. No interest is chargeable.

§ Where at the time of the delivery of this affidavit *more than* 12 months has expired since the date of the Deceased's death, the duty on the Real property, whether it is paid in one sum, or by instalments, is chargeable with interest. The interest is chargeable upon the *whole* unpaid duty, from 12 months after the Deceased's death, up to the date of payment of the duty or of an instalment thereof, although part only of the duty may be overdue. See Clause 62 of the Form A—2. Where the duty is elected to be paid by instalments, and payment is not made on a date when an instalment becomes payable, the interest upon the whole duty is to be calculated up to the date when the last overdue instalment was payable, and interest from that date is to be calculated upon the *overdue* instalments.

PART III.—Total of Parts I. and II. of Summary.

NOTE.—The total amount paid on each "Estate by itself," or "Settled Property" liable to limited aggregation, or property liable to full aggregation, and the rate, should be separately shown. (Annex a schedule if the space is insufficient.)

			Rate
Part I.—Total duty and interest	£		
II.	Total duty and interest (Personal)..	£		
	" " " (Real)	£		
Total duty and interest paid on this Affidavit	£		

RECEIPT FOR DUTY AND INTEREST.

Here state the name and full address of the person who pays the duty. ....

....

....

1.

A. G.

Comptrolled and Registered for

....

....

for Accountant-General of Inland Revenue.

2.

Received the.................. day of ...., 190......,

the sum of ....

....Pounds,

....shillings and............................pence, for *Estate Duty* and Interest thereon.

....

for Commissioners of Inland Revenue.

£.......................................

This receipt does not imply that the amount of duty is not subject to rectification.

For use at Chief Office.

These stamps do not imply that the Rates of duty are not subject to rectification.

PARTNERSHIP ACCOUNTS.

It should be noted that when a person who has been in business by himself dies, the account for Estate Duty contains full and detailed particulars of *all* his assets and liabilities, both with regard to his business and in respect of his private affairs. Where, however, the partner of a firm dies, the assets and liabilities of the firm do not come into the Estate Duty Account at all. In their place must be stated, as a separate asset, the deceased's share in real and personal property as a partner in the firm, his share being, of course, represented by the amount standing to the credit of his Capital Account in the firm's books after they have been adjusted up to the date of death. If anything is payable to the executors of the deceased partner as his share of the Goodwill of the business, it is, of course, included in this amount.

DUTY ON REAL AND PERSONAL ESTATE.

Both Real and Personal Estate are liable to Estate Duty, and the rate at which the duty is levied depends upon the aggregate net value of both estates added together. It is important, however, to bear in mind that, while in the ordinary course the executors may very likely pay the duty out of the Personal Estate, that proportion of it which is in respect of the Real Estate is a deduction from the Real Estate itself, and must not be *charged* against the Personal Estate. Where, however, an annuity is not a rent-charge, but a personal annuity charged on realty, the Estate Duty must be paid by the Executors as testamentary expenses (*Trenchard v. Trenchard* [1905] 1 Ch. 82). This point is, of course, only of practical importance if the persons entitled to the Real Estate (or the Residue thereof) are not the same as the persons entitled to the Residue of the Personal Estate. The same principle applies to Legacy Duty, when it is payable by the Estate and not by the Legatee. It has been decided (*Travers v. Kelly* [1904] 1 Ch. 363) that Settlement Estate Duty on personalty is not a testamentary expense, although the Executor is accountable for it, but is payable out of the settled property under the Finance Act, 1895, s. 19 (1), notwithstanding a direction in the will to pay testamentary expenses out of residue.

APPORTIONMENT.

Although it is not intended in this work to discuss the law with regard to executorships and administrations, it is impossible to altogether ignore the question of Apportionment. It will, however, be treated from a bookkeeping point of view—that is to say, its practical effect will be considered in detail—while the reader must be referred to some legal text-book for information as to exactly when to apply the rules here laid down.

Speaking generally, the executors are accountable for the estate of the deceased as from the date when he died; and where any portion of that estate represents money laid out at interest in undertakings making a regular return of income by way of rent, interest, or dividend, the income accruing up to the date of death represents part of the *capital* of which the deceased died possessed. This is of importance in two ways. (1) Duty has to be paid upon the value of the estate at the date of death, and therefore accruing income has to be included in the amount upon which duty is payable. (2) Persons entitled to the income derived from the estate (or any portion of it) are not entitled to all the *cash* that may be received by way of income after that date, but merely to the proportion that represents income accrued since the date of death. An apportionment has therefore to be made of the income accruing partly before and partly after the death of the testator.

This seems the most convenient place to draw attention to the fact that where a specific investment is bequeathed, the legatee is entitled to that investment as from the date of death, together with the benefit of all income accruing *from that date*; but the income accruing due on the investment up to the date of death (inclusive) is part of the general estate. It must be noted that a bonus, or surplus profits, accruing after the death of the deceased is subject to apportionment. Moreover, dividends and bonuses declared during the life of the deceased are part of his estate, even if paid after his death.

In making these apportionments it is important to be clear as to the actual date when the line must be drawn. As to this, the law does not appear to be perfectly clear, but the Inland Revenue Authorities admit no doubt upon the subject, and for all practical purposes it will doubtless suffice to take their view. They proceed upon the assumption that a man who dies on a given day is presumed to have lived through that day; so that, for apportionment purposes, the income accruing *during the day of death* must be regarded as accruing to Capital. While on this subject it may be mentioned that an infant attains his majority on the completion of his 21st year; but as the law recognises no fractions of a day, the twenty-first year is looked on as completed on the first instant of the day *before* the birthday. Thus an infant born (say) on the 1st February 1880 attained his majority on the first instant of the 31st January 1901; and had he died on that day, he would not have died a minor. Another point worth noting is that a posthumous child, born after the next rent day from the death of his father, is entitled (under 10 & 11 Will. III., c. 16) to the intermediate profits of the *settled* land; but the proceeds of a *descended* estate, on the other hand, belong to a posthumous child only from the date of his birth, which (as indicated above) includes the income accruing during that day.

Income-tax at the current rate must, of course, be deducted from all income before arriving at the amount that is to be apportioned.

In spite of the foregoing, it cannot be too strongly impressed upon the reader that when securities having a current market value are included in the Estate Duty Account at the market price, it is *not*—save in certain special circumstances—necessary to add to this value any further amounts as representing the accruing income up to date, unless the market price is quoted as being *ex div.* A moment's reflection will show the reason for this. The market price is the price at which the investment can be bought or sold at the date in question, and unless the price is expressly quoted *ex div.* anyone purchasing on that date would acquire the benefit of all accruing interest or dividend; so that, if the investment could have been sold at the date of death, the total amount receivable in respect of it would be the market price, and not the market price *plus* a further sum for income accrued to date. It is not, however, by any means every class of investment earning income for which market prices are quoted, and, where the valuation included in the Estate Duty Account is upon any other basis, the proportion of income accruing must be separately accounted for. But whether the accruing income is separately accounted for, or included in the capital sum as part of the market price, the first dividend receivable after the date of death *must in all cases be apportioned,* so that only the proportion earned after death may be credited to Income Account, the proportion earned up to the date of death being applied towards the reduction of the value at which the investment stands in the books. This is, of course, as it should be, seeing that the market price will naturally fall when the dividend is paid, unless other circumstances influence it in the opposite direction.

In many undertakings it is customary to pay dividends half-yearly, or at even more frequent intervals. The apportionment in such cases must be upon the footing that the dividend earned during the whole year accrued day by day, and is the aggregate of the interim and final dividends declared in respect of that year, the amounts received as interim dividends being regarded as merely payments on account, and treated as such in the calculation of the apportionment. A share in the profits of a private partnership is not apportionable.

A recent case on the Apportionment Act, 1870, should be noted. The annual sums payable by a bishop in commutation of first-fruits and tenths are "periodical payments in the nature of income" within Section 2, and, therefore, apportionable between successive bishops *inter se;* but though now collected and administered by the Governors of Queen Anne's Bounty, they are still in fact Crown debts, enforceable by writ of extent, and are, there-

fore, not apportionable against the Crown or the Treasurer of Queen Anne's Bounty. Many cases under the Act will be found discussed by Swinfen-Eady, J., in this important decision (*The Bishop of Rochester v. Le Faure* [1906], 2 Ch. 513). As to the apportionment of costs under the Lands Clauses Consolidation Act, 1845, see *In re Clarke* ([1906], 1 Ch. 615).

PROBLEM.—A. died on 31st March 1906, leaving, amongst other estate, the following investments:—

1,000	£10 Shares, fully paid, in	James Cope & Co., Lim. at 19.
1,500	,, ,,	George Tosh & Co., Lim. at 21.
350	,, ,,	John Tribe & Co., Lim., at 12.

Each Company's financial year ended on 30th June.

James Cope & Co., Lim., paid quarterly interim dividends on 1st December, 1st March, and 1st June, at 7½ per cent. per annum; George Tosh & Co., Lim., a half-yearly interim dividend at the rate of 5 per cent. per annum; while John Tribe & Co. paid no interim dividend.

When the accounts of the three Companies were made up, dividends for the year at the rate of 10 per cent. were declared by each, the balance for the year to be payable on 1st September.

How would you deal with these in the books of the trust?

The total dividends received are as follows:—

		£ s d	£ s d
J. Cope & Co., Lim.	1st Dec.	187 10 0	
	1st Mar.	187 10 0	
	1st June	187 10 0	
	1st Sept.	437 10 0	
			1,000 0 0
G. Tosh & Co., Lim.	1st Mar.	375 0 0	
	1st Sept.	1,125 0 0	
			1,500 0 0
J. Tribe & Co., Lim.	1st Sept.	..	350 0 0
Total for the year ended 30th June		..	£2,850 0 0

The Apportionment works out as follows (taking months instead of days, and disregarding income tax):—

	Already received on a/c of Capital.	Proportion of receipts since death on a/c of Capital.	Proportion of receipts since death on a/c of Income.
	£ s d	£ s d	£ s d
J. Cope & Co., Lim.	375 0 0	375 0 0	250 0 0
G. Tosh & Co., Lim.	375 0 0	750 0 0	375 0 0
J. Tribe & Co., Lim.	..	262 10 0	87 10 0
	£750 0 0	£1,387 10 0	£712 10 0

Dr. SHARES OF £10 EACH IN JAMES COPE & CO., LIM. *Cr.*

		No. of Shares	Capital	Income			No. of Shares	Capital	Income
1906 Mar. 31	To Estate Account ..	1,000	£ s d 19,000 0 0	£ s d	1906 June 1	By Cash	..	£ s d 187 10 0	£ s d
					Sept. 1	,, ,, ...	..	187 10 0	250 0 0

Dr. SHARES OF £10 EACH IN GEORGE TOSH & CO., LIM. *Cr.*

		No. of Shares	Capital	Income			No. of Shares	Capital	Income
1906 Mar. 31	To Estate Account ..	1,500	£ s d 31,500 0 0	£ s d	1906 Sept. 1	By Cash	..	£ s d 750 0 0	£ s d 375 0 0

Dr. SHARES OF £10 EACH IN JOHN TRIBE & CO., LIM. Cr.

		No. of Shares	Capital	Income			No. of Shares	Capital	Income
			£ s d	£ s d				£ s d	£ s d
1906 Mar. 31	To Estate Account ..	350	4,200 0 0		1906 Sept. 1	By Cash	..	262 10 0	87 10 0

Dr. ESTATE ACCOUNT. Cr.

		£ s d			£ s d
			1906 Mar. 31	By 1,000 Shares of £10 each in J. Cope & Co., Lim.	19,000 0 0
			"	" 1,500 Shares of £10 each in G. Tosh & Co., Lim.	31,500 0 0
			"	" 350 Shares of £10 each in J. Tribe & Co., Lim.	4,200 0 0

Dr. CASH. CONTRA. Cr.

		Capital	Income			Capital	Income
		£ s d	£ s d			£ s d	£ s d
1906 June 1	To J. Cope & Co., Lim., Interim Dividend..	187 10 0					
Sept. 1	" J. Cope & Co., Lim., Final Dividend..	187 10 0	250 0 0				
"	" G. Tosh & Co., Lim., Final Dividend..	750 0 0	375 0 0				
"	" J. Tribe & Co., Lim., Final Dividend..	262 10 0	87 10 0				

WHEN APPORTIONMENT IS MADE.

An apportionment having once been made as at the date of the death of the Testator, all further sums received by way of income are treated as being Income in respect of the period up to and including the date of such receipt, and are distributed accordingly. When, therefore, the Executors' books are balanced from time to time, no account is taken of accruing Income.

If occasion should arise for an investment to be realised, and the proceeds reinvested in another class of security, only the sums *actually received as representing interest or dividend* are treated as Income, although this may have the effect of increasing, or reducing, the normal income for the period under review. The reason for ignoring Apportionment upon a change of investment is that the Apportionment Act, 1870, does not provide for an apportionment being made under such circumstances, and the Court cannot recognise an apportionment under any circumstances, unless it comes within the terms of the Act. It will thus be seen that there is scope for a Trustee, by frequent changes of investments, either materially to increase the income of a life-tenant, or materially to reduce it. Under such circumstances, however, any of the parties concerned might (and doubtless would) apply to the Court for redress; and the Court, if satisfied that the action of the Trustee was not *boná fide*, would make such order as it thought just under the circumstances, which would probably be in the form of an order for the Trustee to make good the damages caused out of his own pocket, without

giving him any right to recover from the party who had benefited. Abuses of this description are thus not likely to occur often.

But although no apportionment is made between Capital and Income when investments are changed, upon the happening of any event (except apparently —save in the case of tithe—on the death of an incumbent of a living) under which the interest of the life-tenant *ceases*—as, for instance, on the death of a life-tenant, or her re-marriage (if a widow, and if the Will so provides)—an apportionment must be made, so as to arrive at the balance of income due to the late life-tenant up to the date when his (or her) interest in the income ceased. The reason for this is that the life-tenant is entitled to the whole of the income earned from the date of the death of the testator up to (and including) the day when, for any reason, the interest of such life-tenant ceases.

From this may be deduced the general rule that no apportionment is ever made, except when a different person becomes entitled to the income, or when the income (*e.g.*, a terminable annuity or rent-charge) ceases. But, as already stated, apportionment does not always occur, even in these cases. The same rule must, of course, be applied where there are several life-tenants and the interest of one ceases: an apportionment of the whole income must be made up to that date, so as to arrive at the exact balance due to the late life-tenant. It has been decided (*In re Atkinson* [1904], 2 Ch. 160) that where a fund is settled upon a tenant-for-life and remaindermen, and is invested in accordance with the powers of the settlement upon a mortgage which proves to be insufficient for the payment of the principal and interest in full, the sum realised by the security ought to be apportioned between the tenant-for-life and the remaindermen in the proportion which the amount due for *arrears* of interest bears to the amount due in respect of the capital debt.

There are other recent cases as to apportionment of capital, or capital losses between tenant-for-life and remaindermen. In the case of *In re Bacon* (62 L. T. Ch. 445), decided in 1893, Kekewich, J., held that where a capital payment had to be made out of a settled capital "the moneys should be raised by a sale or mortgage of a sufficient part of the estate, and should be paid in that way out of capital, but that the tenant-for-life bearing, as he, of course, would, the interest on the mortgage, there would be a fair distribution of the liability between tenant-for-life and remaindermen. I do not mean to say that it is scientifically accurate, or that it would always work out satisfactorily, but if you are to have a general rule." In the case of *In re Dawson* ([1906], 2 Ch. 211), Swinfen Eady, J., adopted a different principle. "He takes the actuarial values, at the death of the testator, of the estate of the tenant-for-life and the estate of the remaindermen, and then distributes the liability between the two estates in the proportions ascertained by actuarial valuation." Kekewich, J., points out that either principle is, so far as justice is concerned, at the mercy of the fact. If the tenant-for-life lives a short time he will contribute little to the total loss. "That is a difficulty which is quite as inherent to an actuarial valuation as to the plan which I propose to pursue." The case in which those comments were made was that of *Gordon v. Gordon* ([1907], 1 Ch. 30). In that case the estate of a testator was liable for a periodical payment of an uncertain amount, and by a deed of compromise this payment was commuted for a lump sum of £7,000, and the estate released from the liability. The plaintiff, who was entitled to a settled share of the testator's estate for her life, with remainder to her children, provided £3,500 out of her own moneys to get rid of this liability on the estate. Held by Kekewich, J., following his decision in *Re Bacon*, in preference to the decision in *Re Dawson*, that the tenant-for-life was entitled to be repaid this sum out of the testator's estate, and the proper mode of apportioning the burden between herself, as tenant-for-life and the remaindermen, was for the trustee of the Will to raise it out of her settled share of the estate.

PROBLEM.—The Estate of W. Quits, deceased, vested in trustees, consisted of property and investments producing the following income during the year 1906:—

Yearly Rents.	Half-yearly Payments due.	Received Less Tax.*
£210	Feb. 20th and Aug. 20th	7 days after due
150	June 20th and Dec. 20th	10 "
90	March 20th and Sept. 20th	2 "

Loans on Mortgage.	Rate of Interest.	Interest due half-yearly.
£10,000	3 per cent.	Jan. 20th and July 20th
6,000	4 per cent.	April 20th and Oct. 20th

Interest, less Tax, was received in each case the day following that on which it became due.

The widow (who was entitled to the income during her life) died on the 20th July 1906, having been paid on account of the income received as above stated:—

£200 on March 1st.
100 on April 1st.
100 on July 1st.

After the widow's death the income was divisible between a son and daughter in equal shares.

Write up the following Accounts for the year, showing what sums were due to the beneficiaries on the 31st December 1906:—

(1) Income Account.
(2) Widow's Account.
(3) Son's Account.
(4) Daughter's Account.

*Divisions of Income may be made by months instead of days, and deductions for Income Tax omitted.

INCOME ACCOUNT.

Dr. | *Cr.*

		£ s d	£ s d			£ s d
1906				1906		
June 30	To Widow	..	495 0 0	Jan. 21	By Cash	150 0 0
Dec. 31	" Widow, apportionment to 20 July, viz.—			Feb. 27	" Do.	105 0 0
				Mar. 22	" Do.	45 0 0
	July 20 Interest (the whole)..	150 0 0		April 21	" Do.	120 0 0
	Aug. 20 Rent ($\frac{5}{6}$ of £105) ..	87 10 0		June 30	" Do.	75 0 0
	Sept. 20 Do. ($\frac{2}{3}$ of £45) ..	30 0 0		July 21	" Do.	150 0 0
	Oct. 20 Interest ($\frac{1}{2}$ of £120)..	60 0 0		Aug. 27	" Do.	105 0 0
	Dec. 20 Rent ($\frac{1}{6}$ of £75) ..	12 10 0		Sept. 22	" Do.	45 0 0
			340 0 0	Oct. 21	" Do.	120 0 0
"	" Son	77 10 0		Dec. 30	" Do.	75 0 0
"	" Daughter	77 10 0				
			155 0 0			
			£990 0 0			£990 0 0

WIDOW'S ACCOUNT.

Dr. | *Cr.*

		£ s d			£ s d
1906			1906		
Mar. 1	To Cash	200 0 0	June 30	By Income Account	495 0 0
April 1	" Do.	100 0 0	"	" Do.	340 0 0
July 1	" Do.	100 0 0			
Dec. 31	" Balance down	435 0 0			
		£835 0 0			£835 0 0
			1907 Jan. 1	By Balance down	435 0 0

SON'S ACCOUNT.

Dr. | *Cr.*

				£ s d
		1906 Dec. 31	By Income Account	77 10 0

DAUGHTER'S ACCOUNT.

Dr. | *Cr.*

				£ s d
		1906 Dec. 31	By Income Account	77 10 0

SPECIFIC LEGACIES.

A Specific Legacy (according to Lord Selborne) is the bequest of "something which a testator, identifying it by a sufficient description, and manifesting an intention that it should be enjoyed in the state and condition indicated by that description, separates in favour of a particular legatee from the general mass of his personal estate." If it should so happen that at the time of his death the testator was not possessed of any property answering to the description contained in the Will, the bequest lapses altogether: its place is not taken by a pecuniary legacy of the corresponding assumed value. On the other hand, a Specific Legacy is not liable to abate, if there be a deficiency of assets, with the general legacies. Specific Legacies are best dealt with in the books as though they were pecuniary legacies satisfied in kind, instead of in cash. That is to say, the property specifically bequeathed should in the first instance be credited to Estate Account and debited to a special account dealing with that class of property. When it is acertained that the estate is sufficient to pay debts and costs without having recourse to this property, an entry can be passed debiting Estate Account and crediting the specific legatee with the amount at which that property is valued in the books. When the legacy is actually handed over a further transfer should be made from the credit of the Property Account to the debit of the Specific Legatee's Account.

If the Specific Legacy be an investment bearing interest, or producing rents, it is important to bear in mind that the income accrued due up to the date of the Testator's death (inclusive) belongs to the general estate, and not to the specific legatee. The latter is, however, entitled to all income accrued since the date of death, even although—owing to delay in the handing over of the legacy—that income may in the meantime have been received by the Executors. Moreover, it has been held that bonuses declared after the Testator's death on shares specifically bequeathed belong to the specific legatee, and are therefore not subject to apportionment.

GENERAL LEGACIES.

Pecuniary Legacies can only be paid provided the estate produces sufficient to provide in the first instance for all debts, duties, and expenses, and also for all Specific and Demonstrative Legacies. If, however, there be a special direction that a legacy for a fixed sum is "immediately payable," that may be regarded as a Specific Legacy to the extent of entitling the legatee to a preference over the other pecuniary legatees.

From the bookkeeping point of view the total amount of Pecuniary Legacies should be debited to Estate Account and credited to Legacies Account—in the latter the various names of the legatees should, of course, be stated separately. As the legacies are paid, Cash Account is credited and Legacies Account debited, so that, by the time all the legacies are paid, no balance remains upon the Legacies Account. Unless the Bequest be expressly declared to be "free of legacy duty," whatever duty may be payable on the legacy must be deducted from the amount paid to the legatee, and accounted for to the Inland Revenue authorities. The cash postings to the debit side of the Legacy Account will thus consist of the various payments to the legatees (*less* duty), and a further payment to the Inland Revenue authorities in respect of the Legacy Duty so deducted. If, however, the Legacy Duties (or any of them) have to be paid out of the Estate, a corresponding transfer must be made from the debit of Estate Account to the credit of Legacies Account, in order to balance the latter. In all cases of reversionary interests the Legacy Duty which becomes payable on their falling into possession is—in the absence of express contract—payable by the assignee. If a legatee settles part of a reversionary interest, the duty does not fall exclusively on the unsettled part (*Wodehouse v. Scobell* [1904], 1 Ch. 811). Where a testatrix, who made her will in 1893 and died in 1903, bequeathed numerous Pecuniary Legacies, and directed that all the legacies should be paid "free from duty," it was held that the Legacy Duty payable on each legacy

must be treated as an additional legacy, and be added to the legacy for the purposes of abatement, and that one of the legacies being settled on certain trusts, the Finance Acts 1894 and 1896 applied, and that the directions to pay "free from duty" included the Settlement Estate Duty, which must, like the Legacy Duty, be treated as an additional legacy, and be added to the legacy for the purposes of abatement (*Skipper v. Wade* [1905], 1 Ch. 726).

DEMONSTRATIVE LEGACIES.

Reference must be made to a class of legacies that combine the characteristics of both Specific and General Legacies—that is to say, legacies that are not liable to abate with the general legacies or to ademption or lapse. Such legacies are called Demonstrative Legacies, and usually consist of bequests of money with reference to a particular fund for their payment, or more generally may be defined as legacies of quantity with reference to a particular source of distribution on which the legatee has a lien. A gift of a specific number of sheep out of a specific flock, or of a specific number of shares out of a specific fund, would be Demonstrative Legacies. From the bookkeeping point of view, such legacies may be classed with Specific Legacies.

ANNUITIES.

A Bequest not infrequently takes the form of an annuity payable during the lifetime of the Beneficiary. This may be provided for in the accounts in any one of the three following ways (unless, of course, the Will contains special directions with regard to the matter):—(1) By payment out of the general Income of the Estate from year to year. (2) By setting aside and "ear-marking" special securities and applying the interest received thereon towards the payment of the Annuity during the lifetime of the Annuitant, re-transferring the securities back to the general Estate on the death of the Annuitant. (3) By purchasing an Annuity out of Capital, either from the Government or a Life Insurance Office. As to the charging of an Annuity on Income, see the case of *Boden v. Boden* ([1907], 1 Ch. 132). It may be noted that when money is bequeathed to be invested in the purchase of an annuity for the life of the Legatee, it is a vested legacy, and the Legatee can elect whether to take the sum itself or to have an annuity purchased therewith. The following recent case is important: Where a husband by his will directed his trustees, out of the proceeds of sale and conversion, and after deductions for debts and general and testamentary expenses, to purchase for his widow a Government annuity, and the wife died shortly before the will was proved or any debts paid, it was held that the annuity, and the right to take its value in cash instead of the annual payment, vested in the widow on the testator's death, and, therefore, her legal personal representatives were entitled to the sums which at the date of the testator's death would have purchased the annuity (*Robbins v. Legge* [1906], 2 Ch. 648).

The following examples show the bookkeeping entries in connection with each method. It must be borne in mind, however, that when either the second or third method is adopted, the proportion of Annuity accruing from the date when the Annuity commenced up to the date when it is otherwise provided for must be paid out of the Estate, as shown in the first method.

PROBLEM.—A. died on 3th November 1900, leaving *inter alia* an annuity of £50 per annum to B., aged 60, and an annuity of £50 per annum to C., aged 72, both free of Legacy Duty. The executors elect to provide for C.'s annuity by setting aside £1,818 3s. 4d. of 2¾ per cent. Consols, which are purchased *ex div.* on 5th January 1901, at 105. They provide for B. by the purchase of an annuity of £50 per annum from the North British and Mercantile Company on 31st December 1900, for which they pay £623 14s. 2d. C. died on 5th July 1901.

Show the necessary entries in Journal form.

JOURNAL.

	£	s	d	£	s	d
31st December 1900.						
Estate Account	623	14	2			
To B. Annuity Account				623	14	2
B. Annuity Account	623	14	2			
To Cash				623	14	2
Being provision for an annuity of £50 per annum to be paid to B. by the North British and Mercantile Insurance Company, commencing 1st January 1901.						
Income Account	7	13	8			
To B. Annuity Account				7	13	8
B. Annuity Account	7	13	8			
To Cash				7	13	8
Being payment to B. of proportion of annuity from 5th November 1900 to date: 56 days at £50 per annum.						
5th January 1901.						
Estate Account	1,911	9	0			
To Annuity for C. Trust Account ..				1,911	9	0
2¾ per cent. Consols	1,911	9	0			
To Cash				1,911	9	0
Being provision for an annuity of £50 per annum to C., by purchase of £1,818 3s. 4d. Consols at 105 (Brokerage, £2 7s. 6d.)						
Income Account	8	7	1			
To C. Account				8	7	1
C. Account	8	7	1			
To Cash				8	7	1
Being payment to C. of proportion of annuity from 5th November 1900 to date: 61 days at £50 per annum.						
5th April						
Cash	12	10	0			
To 2¾ per cent. Consols				12	10	0
2¾ per cent. Consols..	12	10	0			
To C. Account				12	10	0
C. Account	12	10	0			
To Cash				12	10	0
Being quarter's dividend on Consols received, and handed over to C.						
5th July						
Cash	12	10	0			
To 2¾ per cent. Consols				12	10	0
2¾ per cent Consols	12	10	0			
To C. Account				12	10	0
C. Account	12	10	0			
To Cash				12	10	0
Being quarter's dividend on Consols received, and handed over to C.						
Annuity for C. Trust Account	1,911	9	0			
To Estate Account				1,911	9	0
Being provision for annuity to C., re-transferred to General Estate upon death of C. this day.						

Legacy Duty is payable on the cash value of the annuity, arrived at by tables provided by the Inland Revenue authorities. (See also page 110.) The actual payment is made by four instalments, but if the annuitant dies in the interim no further instalments are payable. Unless the Annuity is left free of Legacy Duty, these instalments are deducted from the annuity payments.

INTEREST ON ADVANCES.

It frequently occurs that Executors (or Trustees) are authorised to make advances to Beneficiaries on account of their respective shares of the Residue of the Estate. Such advances sometimes bear interest, but not as a rule if made in pursuance of an advancement clause in a settlement (*Wodehouse v. Fox* [1904], 1 Ch. 480). As a matter of book-keeping, this interest must be debited to the respective Beneficiaries and credited to Estate Account, thus increasing the balance of the latter that is available for distribution.

PROBLEM.—A. B. died on 5th April 1901, leaving among other assets £50,000 of $2\frac{3}{4}$ per cent. Consols (valued at $93\frac{1}{2}$), which he bequeathed to his nephews C., D., and E. His Trustees were directed to sell the Stock and to divide the proceeds; the dividends on the Stock to the date of Sale, and any interest received up to the date of division free of duty and expenses or deduction of any kind on the dividends, among his three nephews, in the proportion of half to C., one-third to D., and one-sixth to E. The Stock was sold on 5th October 1901, *ex div.*, at 93, the price and dividends from the date of death were received on that day and deposited in Bank, and the Brokerage and Charges were, as directed, paid out of the General Trust Estate. The dividend due 5th July was received on 5th October along with the dividend due on that day. The Trustees had power, out of the General Trust Estate, to make Advances to the Beneficiaries to account of their shares to an amount not exceeding £7,500 each, said Advances to be equalised as between the Beneficiaries themselves, with interest at 4 per cent., but no interest was to be payable by them to the General Trust Estate. The Trustees advanced to C. on 30th April 1901 £5,000, and on 29th May £2,500; to D. on 15th May £1,000, and on 1st June £3,000; and to E. on 20th June £6,000, and on 15th July £500.

Frame a Statement of Progressive Interest on the Advances, and prepare a scheme of division showing the exact amount payable to each Beneficiary on 15th December 1901. Calculate Interest on the Bank Deposit at $2\frac{1}{2}$ per cent. Leave out fractions of a penny.

Dr. TRUST IN FAVOUR OF C., D., AND E. ACCOUNT. *Cr.*

		£ s d			£ s d
1901 Oct. 5	To $2\frac{3}{4}$% Consols Account—Loss on Sale ..	250 0 0	1901 April 5	By $2\frac{3}{4}$% Consols Account ..	46,750 0 0
Dec. 15	„ C. Account ..	23,905 6 2	Oct. 5	„ Do. Interest to date ..	687 10 0
„	„ D. „ ..	15,936 17 5	Dec. 15	„ Interest Account ..	623 2 3
„	„ E. „ ..	,968 8 8			
		£48,060 12 3			£48,060 12 3

Dr. $2\frac{3}{4}$% CONSOLS ACCOUNT. *Cr.*

		Stock £ s d	Capital £ s d	Income £ s d			Stock £ s d	Capital £ s d	Income £ s d
1901 April 5	To Trust in favour of C., D., and E.	50,000 0 0	46,750 0 0		1901 Oct. 5	By Cash (2 quarters dividend) ..	..	..	687 10 0
Oct. 5	„ Do. — Half-year's dividend to date	..	..	687 10 0	„	„ Do. (Sale of Consols) ..	50,000 0 0	46,500 0 0	
					„	„ Trust Account —Loss on Sale	..	250 0 0	
		£50,000 0 0	£46,750 0 0	£687 10 0			£50,000 0 0	£46,750 0 0	£687 10 0

Dr. C. ACCOUNT. *Cr.*

		£ s d			£ s d
1901 Apr. 30	To Cash ..	5,000 0 0	1901 Dec. 15	By Trust Account ..	23,905 6 2
May 29	„ „ ..	2,500 0 0			
Dec. 15	„ Interest ..	180 0 0			
„	„ Cash ..	16,225 6 2			
		£23,905 6 2			£23,905 6 2

Dr. D. ACCOUNT. *Cr.*

		£ s d			£ s d
1901 May 15	To Cash ..	1,000 0 0	1901 Dec. 15	By Trust Account ..	15,936 17 5
June 1	„ „ ..	3,000 0 0			
Dec. 15	„ Interest ..	88 4 3			
„	„ Cash ..	11,848 13 2			
		£15,936 17 5			£15,936 17 5

Dr. E. ACCOUNT. Cr.

1901		£ s d	1901		£ s d
June 20	To Cash	6,000 0 0	Dec. 15	By Trust Account	7,968 8 8
July 15	" "	500 0 0			
Dec. 15	" Interest	125 8 6			
"	" Cash	1,343 0 2			
		£7,968 8 8			£7,968 8 8

Dr. BANK DEPOSIT ACCOUNT. Cr.

1901		£ s d	1901		£ s d
Oct. 5	To Cash	47,187 10 0	Dec. 15	By Cash	47,416 19 6
Dec. 15	" Interest	229 9 6			
		£47,416 19 6			£47,416 19 6

Dr. INTEREST ACCOUNT. Cr.

1901		£ s d	1901		£ s d
Dec. 15	To Trust Account	623 2 3	Dec. 15	By C.	180 0 0
			"	" D.	88 4 3
			"	" E.	125 8 6
			"	" Bank Deposit Account	229 9 6
		£623 2 3			£623 2 3

Dr. CASH. CONTRA. Cr

1901		£ s d	1901		£ s d
Oct. 5	To 2¾% Consols—Interest	687 10 0	April 30	By C.—Advance	5,000 0 0
"	" Do. Proceeds of Sale	46,500 0 0	May 15	" D. Do.	1,000 0 0
Dec. 15	" Bank Deposit Account	47,416 19 6	29	" C. Do.	2,500 0 0
			June 1	" D. Do.	3,000 0 0
			20	" E. Do.	6,000 0 0
			July 15	" E. Do.	500 0 0
			Oct. 5	" Bank Deposit Account	47,187 10 0
			Dec. 15	" C.	16,225 6 2
			"	" D.	11,848 13 2
			"	" E.	1,343 0 2
		£94,604 9 6			£94,604 9 6

RESIDUARY LEGATEES.

As it is practically impossible for a Testator to know the exact value of the property that he will leave behind him at his death, it is usual to appoint a Residuary Legatee, or Residuary Legatees, who are entitled to receive the surplus or residue of the personal estate after payment of all prior claims. If no Residuary Legatee can be ascertained from the terms of the Will, there is an intestacy in respect of the Residue, which accordingly goes to the next-of-kin. The ultimate distribution of the Residue may be either in cash, or in kind: that is to say, the whole Estate may be realised, and the cash balance distributed among those entitled to the Residue, or the Estate in its existing form may be divided among them. If the various Residuary Legatees are, owing to their different relationship to the deceased, liable to legacy duty at different rates, each must pay the duty upon his respective share of the Residue, even although it may have been expressly bequeathed to him "free of legacy duty." The words "free of legacy duty" have no meaning as applied to the Residue, seeing that after the distribution of the Residue there remains no general Estate out of which legacy duty could possibly be paid. When the Residue settled includes investments in "unauthorised" securities the tenant-for-life is as a rule only entitled to interest at the rate of 3 per cent. on the value of the securities, the balance being capitalised to provide a Sinking Fund to cover depreciation (*Chaytor v. Horn* [1905], 1 Ch. 233). Special arrangements

are, however, sometimes made, as, for instance, *In re North; Lockett v. North*, decided in January 1904.

An Executor has power at the final distribution of the Estate, even though no express authority be given him for that purpose in the Will, to agree with a general Legatee to appropriate a specific portion of the Estate to him. Moreover, where a residuary trust fund is settled by Will, upon trust for several persons and their families, the trustees have power, *virtute officii*, to appropriate specific investments to any of the settled shares before the period of final division without making any corresponding appropriation to other shares. The principle upon which executors and trustees under a Will which contains a trust for sale and conversion have power to appropriate any specific part of the Estate towards satisfaction of a legacy or share of the Residue, seems to be that they have power to sell the particular asset to the legatee, and to set off the purchase-money against the legacy. This doctrine is not confined to pure Personal Estate, but extends to chattels real, such as Leaseholds, and, it would seem, to Real Estate which is subject to a trust for sale and conversion. As to appropriation and subsequent deterioration, see the case of *Fraser v. Murdoch* (6 App. Cas. at p. 864) (Lord Selborne). The accounts must, of course, show such appropriations and settings-off in full detail.

A common form of Bequest in connection with Residue, where the Testator leaves children who are minors, is one in the nature of a direction that it is to be held in trust for the benefit of the children until such time as they come of age, or, in the case of daughters, until such time as they become of age or marry (with the consent of their guardian), whichever event may happen first. It is not unusual, but, as we have seen, not really essential, to endow the Executor with a discretion enabling him to determine the share of each child as he becomes entitled to it absolutely. In these cases of appropriation an accurate Balance Sheet must be prepared each time one of the children becomes entitled to his share, all accruing interest apportioned up to date, and the accounts adjusted so that the balance of the Estate Account and Income Account respectively show the exact estimated value of the Capital in hand and the Income accrued up to date. The accounts of each of the children (which represent the amounts to which they are respectively entitled) are correspondingly adjusted, and the account of the one who is entitled immediately to receive his share is debited with the corresponding amount of cash. A portion of the Estate is realised, if necessary, to produce that sum; or, by arrangement with the legatee, specific securities may be handed over at an agreed price, instead of actual cash passing.

The following example shows clearly the various entries in connection with transactions of this description:—

PROBLEM.—An Estate consisting of £10,000 2¾ per cent. Consols, purchased at 110, is held in trust for A. and B., who are to receive the income during their minority, each being entitled to receive his (half) share of the Capital on his coming of age. The income has been regularly divided up to 5th July 1901. On 28th September 1901 A. came of age; £5,000 Consols were accordingly sold for cash at 93 *ex div.* (less Brokerage £6 5s.), and the proceeds handed to him.

Show the accounts in the Trustee's Ledger.

Dr. TRUST IN FAVOUR OF A. ACCOUNT. *Cr.*

1901		Capital £ s d	Income £ s d	1901		Capital £ s d	Income £ s d
Sept. 28	To Consols Account—Loss on Realisation	856 5 0		Sept. 1	By Balance	5,500 0 0	
"	" Cash	4,643 15 0		Oct. 5	" Interest on Consols	..	34 7 6
Oct. 5	" "	..	34 7 6				
		£5,500 0 0	£34 7 6			£5,500 0 0	£34 7 9

Dr. TRUST IN FAVOUR OF B. ACCOUNT. Cr.

		Capital £ s d	Income £ s d			Capital £ s d	Income £ s d
1901 Oct. 5	To Cash	..	34 7 6	1901 Sept. 1	By Balance	5,500 0 0	
				Oct. 5	" Interest on Consols	..	34 7 6

Dr. $2\frac{3}{4}$% CONSOLS ACCOUNT. Cr.

		Stock £ s d	Capital £ s d	Income £ s d			Stock £ s d	Capital £ s d	Income £ s d
1901 Sept. 1	To Balance	10,000 0 0	11,000 0 0		1901 Sept. 28	By Cash	5,000 0 0	4,643 15 0	
Oct. 5	" A.—Interest	..	..	34 7 6	"	" Loss on Sale of Consols to pay out A: transferred to his account	..	856 5 0	
"	" B. "	..	..	34 7 6	Oct. 5	" Cash	..	..	68 15 0

NOTE.—There being only one investment it is convenient to add Income columns to the accounts of A. and B. rather than to open an Income Account. For the same reason it becomes unnecessary to re-value B.'s share of the estate: this can be conveniently left standing at cost. As the £5,000 Consols are sold ex div., A. will, of course, be entitled to half the dividend received on the 5th October 1901.

INSUFFICIENT ASSETS.

The ultimate disposal of the Residue has already been dealt with. It remains, however, to be explained what procedure must be adopted when, instead of there being a Residue, the Estate is insufficient to provide for all the bequests made by the will.

In a work of this description it is not necessary to discuss the order of precedence of the various debts due on the death of the Testator when the Estate is insolvent, beyond stating that if the general Personal Estate not specifically bequeathed is insufficient to pay the Debts then the Real Estate not specifically bequeathed must bear the deficiency; if there be no Real Estate (or it be insufficient), the General Pecuniary Legacies must abate *pro ratâ*, or, if necessary, be abandoned entirely. Devised and Residuary Real Estate and Specific Legacies contribute rateably on the failure of the General Legacies to meet the deficiency.

Assuming, however, that there is sufficient to pay all Debts, Costs, and Specific Legacies, but not sufficient to pay the Pecuniary Legacies, then the latter must all abate *pro ratâ*, unless the Will, or any rule of law, indicates any special order of priority. An Executor, however, is entitled to a preference in respect of any Debt due to him by the Deceased, as against other creditors of equal degree; but this right does not make him a "secured creditor" within the meaning of Section 10 of the Judicature Act, 1875.

When the Estate is not sufficient to pay Legacies in full, Legacy Duty is, of course, only paid upon the reduced, and not upon the full, amount.

PROBLEM.—A Testator dies leaving Personal Estate worth £10,000, and Real Estate worth £25,000. He specifically bequeaths £2,000 Personalty and £10,000 Realty to his niece W. His Debts amount to £2,000 and the Pecuniary Legacies to £5,000. The residue of both Personal and Real Estates is left to X. The Executorial Expenses (including all duties payable by the estate) amounted to £3,500. All Legacies were left free of Legacy Duty. Raise accounts showing ultimate amount received by X.

Dr. PERSONAL ESTATE ACCOUNT. *Cr.*

	£ s d	£ s d		£ s d	£ s d
To Cash: Executorship Expenditure, &c. ..	3,500 0 0		By Sundry Assets	..	10,000 0 0
Less Estate Duty on Real Estate, and Legacy Duty on Bequest of Realty	1,550 0 0		„ Transfer from Real Estate Account to make up amount required to pay Legacies, &c.	..	950 0 0
		1,950 0 0			
„ Do. Debts due by Deceased	..	2,000 0 0			
„ Do. Specific Bequest to W.	..	2,000 0 0			
„ Do. Pecuniary Legacies	..	5,000 0 0			
		£10,950 0 0			£10,950 0 0

Dr. REAL ESTATE ACCOUNT. *Cr.*

	£ s d		£ s d
To Cash: Specific Bequest to W.	10,000 0 0	By Sundry Assets	25,000 0 0
„ Do. Estate Duty	1,250 0 0		
„ Do. Legacy Duty	300 0 0		
„ Transfer to Personal Estate Account	950 0 0		
„ Cash: Residue to X.	12,500 0 0		
	£25,000 0 0		£25,000 0 0

NOTE.—It makes no difference in this instance, but when different persons are entitled to the Residue on Personal and Real Estates respectively, it is important to see that each is charged with its due proportion of the Duties paid.

RESIDUARY ACCOUNT.

It has already been stated that Residuary Legatees have to pay Legacy Duty, if their relationship to the deceased be such as to render them liable to this duty. The amount upon which duty is payable is arrived at by preparing a Residuary Account, which must be in the prescribed form, and verified by affidavit. The form at present in use is shown below. It will be seen that it differs from the form of the Estate Duty Account chiefly in that it deals (so far as possible) with actual realisations instead of estimated values, and that it is brought up to date, all payments made before arriving at the Residue being deducted from the Corpus, while all income received since the date of death is added.

PROBLEM.—Taking the Estate of X. shown on page 101, assume that the testator bequeathed £25 to each of his Executors A. and B., who were strangers in blood, that the Leasehold Property was bequeathed absolutely to his Widow, and the Residue to his Widow in trust for life, and afterwards in equal shares to his Partner Y, and his Brother Z. Assume that Mrs. X. died on 31st May 1901, that the remainder of the Estate was realised on that day, the Freeholds fetching £20,000 net, the Furniture £450, the Shares £14 10s. each, and the Debentures £165 (net). Assume, further, that all rents, dividends, &c., are received in due course, all debts and legacies paid on 30th June, and Residuary Account made up on that date.

Prepare (*a*) The Executors' Cash Book and Ledger.

(*b*) The Residuary Account.

Dr. CASH. CONTRA. *Cr.*

		Capital	Income			Capital	Income
		£ s d	£ s d			£ s d	£ s d
1900 Nov. 30	To Estate Account	1,010 0 0		1901 Mar. 31	By Estate A/c.: Estate Duty ..	411 8 0	3 6 4
Dec. 31	" E. & W. Ry. Co., Lim., ½ yr's interest (less tax)	19 15 0	4 0 0	"	Do.—Executorship Exps.	4 2 8	
1901 Jan. 31	" Leasehold Property, ½ yr's rent (less tax)	23 13 11	4 16 1	June 30	" Debts due at death (sundry accounts)	300 0 0	
"	" Mont Blanc Ice Co., Lim., yr's dividend to 31/12/00 (less tax)	26 3 2	2 6 10	"	" Funeral Expenses (Toombes & Son)	100 0 0	
May 31	" Household Goods, &c., proceeds of sale	450 0 0		"	" Legacies A/c. A. (less duty)..	22 10 0	
"	" Mont Blanc Ice Co., Lim., sale of Shares @ £14 10s. ..	435 0 0		"	" Do. B. " ..	22 10 0	
"	" E. & W. Ry. Co., Lim., sale of Debentures @ £165 ..	1,630 7 0	19 13 0	"	" Income A/c., Exctors. Mrs. X.	..	22 13 6
"	" X. & Y., in payment of deceased's interest per Y. ..	4,100 0 0		"	" Residue A/c. Y. (less duty)..	3,973 4 9	
"	" Freehold Property	2,000 0 0		"	" Do. Z. " ..	4,282 5 5	
				"	" Legacy Duties..	578 18 3	
				"	" Leasehold Properties A/c.; proportion of Rent from 30/11/00 to 31/12/00 due to Executors, Mrs. X... ..	..	4 16 1
		£9,694 19 1	£30 15 11			£9,694 19 1	£30 15 11

Dr. ESTATE ACCOUNT. *Cr.*

		£ s d	£ s d			£ s d	£ s d
1900 Nov. 30	To Debts due at Death	..	300 0 0	1900 Nov. 30	By Mont Blanc Ice Co., Lim. ..	..	450 0 0
"	" Funeral Expenses	..	100 0 0	"	" East Western Railway Co., Lim.	..	1,600 0 0
1901 Mar. 31	" Cash: Estate Duty	..	411 8 0	"	" Cash	..	1,010 0 0
"	" Do. Executorship Expenses	..	4 2 8	"	" Household Goods	..	500 0 0
"	" Balance down	..	9,869 9 4	"	" Share in Firm of X. & Y. ..	..	4,100 0 0
				"	" Leasehold Property	..	1,025 0 0
				"	" Freehold Property	..	2,000 0 0
			£10,685 0 0				£10,685 0 0
		£ s d	£ s d				£ s d
1901 May 31	By Difference on realisation of Household Goods	..	50 0 0	1901 Mar. 31	By Balance	..	9,869 9 4
June 30	" Legacies Account: A. ..	25 0 0		May 31	" Difference on Mont Blanc Ice Co., Lim.	..	11 3 2
"	" Do. B. ..	25 0 0	50 0 0	"	" Difference on E. W. Ry. Co., Lim.	..	50 2 0
"	" Specific Legacies Account, Mrs. X.		1,001 6 1				
"	" Residue Account		8,829 8 5				
			£9,930 14 6				£9,930 14 6

Dr. £10 SHARES IN MONT BLANC ICE COMPANY, LIM. *Cr.*

		Shares	Capital	Income			Shares	Capital	Income
			£ s d	£ s d				£ s d	£ s d
1900 Nov. 30	To Estate Account	30	450 0 0		1901 Jan. 31	By Cash: Dividend for year ended 31st December 1900..	..	26 3 2	2 6 10
1901 May 31	" Estate Account, difference on Realisation ..	..	11 3 2		May 31	" Cash—Sale of Shares ..	30	435 0 0	
"	" Income Account	..	..	2 6 10					
			£461 3 2	£2 6 10				£461 3 2	£2 6 10

Dr. £100 5% DEBENTURES IN EAST WESTERN RAILWAY COMPANY, LIM. *Cr.*

		No.	Capital	Income			No.	Capital	Income
			£ s d	£ s d				£ s d	£ s d
1900 Nov. 30	To Estate Account	10	1,600 0 0		1900 Dec. 31	By Cash—½-year's Interest ..	..	19 15 0	4 0 0
1901 May 31	,, Estate Account, difference on Realisation.. ..	..	50 2 0		1901 May 31	,, ,, —Sale of Debentures	10	1,630 7 0	19 13 0
,,	,, Income Account	..	..	23 13 0					
			£1,650 2 0	£23 13 0				£1,650 2 0	£23 13 0

Dr. SHARE IN FIRM OF "X. & Y." *Cr.*

		£ s d			£ s d
1900 Nov. 30	To Estate Account	£4,100 0 0	1901 May 31	By Cash: Per "Y."	£4,100 0 0

Dr. LEASEHOLD PROPERTY ACCOUNT (giving full details). *Cr.*

		£ s d	£ s d			£ s d	£ s d
1900 Nov. 30	To Estate Account	1,025 0 0		1900 Dec. 31	By Cash: Rent..	23 13 11	4 16 1
1901 May 31	,, Cash—Mrs. "X."—Income accrued since death on Property specifically bequeathed to her..	..	4 16 1	1901 May 31	,, Mrs. "X."—Property specifically bequeathed to her, handed over this day	1,001 6 1	
		£1,025 0 0	£4 16 1			£1,025 0 0	£4 16 1

Dr. FREEHOLD PROPERTY ACCOUNT (giving full details). *Cr.*

		£ s d	£ s d			£ s d	£ s d
1900 Nov. 30	To Estate Account	£2,000 0 0		1901 May 31	By Cash: Proceeds of Sale	£2,000 0 0	

Dr. HOUSEHOLD GOODS, &c. *Cr.*

		£ s d			£ s d
1900 Nov. 30	To Estate Account	500 0 0	1901 May 31	By Cash: Net Proceeds of Sale	450 0 0
			,,	,, Estate Account: Difference on Realisation..	50 0 0
		£500 0 0		£	500 0 0

Dr. LEGACY DUTIES ACCOUNT. *Cr.*

		£ s d			£ s d
1901 Nov. 30	To Cash: Commissioners of Inland Revenue ..	578 18 3	1901 June 30	By Legacies Account: A.	2 10 0
			,,	,, Do. B.	2 10 0
			,,	,, Residue Account: Y.	441 9 5
			,,	,, Do. Z.	132 8 10
		£578 18 3			£578 18 3

Dr. **DEBTS DUE AT DEATH.** *Cr.*

		£ s d			£ s d
1901 June 30	To Cash (in detail)	£300 0 0	1900 Nov. 30	By Estate Account (in detail)	£300 0 0

Dr. **FUNERAL EXPENSES.** *Cr.*

		£ s d			£ s d
1901 June 30	To Cash: Toombes & Son..	£100 0 0	1900 Nov. 30	By Estate Account	£100 0 0

Dr. **LEGACIES ACCOUNT.** *Cr.*

		£ s d	£ s d			£ s d	£ s d
1901 June 30	To Cash: A.	22 10 0		1900 Nov. 30	By Estate Account, viz:—		
"	" Legacy Duty	2 10 0			A..	25 0 0	
			25 0 0		B..	25 0 0	
"	" Cash: B.	22 10 0					50 0 0
"	" Legacy Duty	2 10 0					
			25 0 0				
			£50 0 0				£50 0 0

Dr. **SPECIFIC LEGACIES ACCOUNT.** *Cr.*

		£ s d			£ s d
1901 May 31	To Leasehold Property Account	1,001 6 1	1901 May 31	By Estate Account: Mrs. X.	1,001 6 1

Dr. **INCOME ACCOUNT.** *Cr.*

		£ s d			£ s d
1901 March 31	To Cash: Interest on Estate Duty	3 6 4	1901 May 31	By Mont Blanc Ice Co., Lim.	2 6 10
June 30	" " Executors, Mrs. X., being income accrued up to date of her death ..	22 13 6	"	" East Western Railway Co., Lim.	23 13 0
		£25 19 10			£25 19 10

Dr. **RESIDUE ACCOUNT.** *Cr.*

		£ s d	£ s d			£ s d	£ s d
1901 June 30	To Cash: Y.	3,973 4 9		1901 June 30	By Estate Account, viz:—		
"	" Legacy Duty	441 9 5			Y..	4,414 14 2	
			4,414 14 2		Z..	4,414 14 3	
"	" Cash: Z.	4,282 5 5					8,829 8 5
"	" Legacy Duty..	132 8 10					
			4,414 14 3				
		£	8,829 8 5			£	8,829 8 5

FORM No. 3. INLAND REVENUE. [Form of Residuary Account.

Here state the Name and Address of the Person who forwards this Account. ....

All Personal Estate, and also, where mixed up with the Personal Estate, all Moneys arising from the sale, mortgage, or other disposition of all Real Estate directed by Will to be sold, &c., are to be accounted for upon this Form, for the purpose of having the Legacy Duty assessed pursuant to the Legacy Duty Act, 1796 (36 Geo. III. c. 52); the Legacy Duty Act, 1805 (45 Geo. III. c. 28); the Stamp Act, 1815 (55 Geo. III. c. 184), and the Succession Duty pursuant to the Customs and Inland Revenue Act, 1888 (51 & 52 Vict. c. 8), and the Finance Act, 1894 (57 & 58 Vict. c. 30).

Where the Personal Estate is not chargeable with Legacy Duty, the proceeds of sale of Real Estate directed to be sold should be accounted for upon the Form No. 8; as also where moneys arising from the sale of Real Estate do not form part of the General Estate but are separately given.

The Account, when filled up *in duplicate*, should be transmitted to the Secretary, Estate Duty Office, Somerset House, London, W.C.

OBSERVE.—Money should not be remitted until the account has been delivered by the parties and the amount payable and the mode of payment have been notified to them.

DIRFCTIONS.

Executors and Administrators, before the Retainer of any part of the Property to their own use, are to deliver the particulars thereof, and pay the duty thereon within 14 Days after, under the penalty of treble the value of the Duty.

All Rents, Dividends, Interest, and Profits arising from the Personal Estate of the Deceased, or from the Real Estate directed by will to be sold, &c., subsequently to the time of the death, and all accretions thereon down to the time of retainer, must be considered as part of the Estate, and be accounted for accordingly.

REGISTER of the Year 1 , Folio Affidavit.

‡ Please read the Instructions printed above.

* Here state the Name and Address of the Executor or Administrator.

An Account ‡ of the Personal Estate, and of Moneys arising out of the Real Estate of X., who died on the 30th day of November One Thousand Nine Hundred .... exhibited by * A. and B. the Executors (or) Administrator.......... of the Deceased, (or) Trustee.......... of the Real Estate directed by the Will to be sold, &c., acting under the Will (or) Letters of Administration [with Will annexed] of the effects of the Deceased proved in, or granted by, the Registry of the Probate Division of the High Court of Justice, on the 30th day of June 1901.

Money and Property converted into Money are to be inserted in Column No. 1, and the date when converted affixed.

Description of Property	Date of Sale, if Sold	No. 1. Money received and Property converted into Money	No. 2. Value of Property not converted into Money
		£ s d	£ s d
Cash in the House ..	..	10 0 0	
Cash at the Bankers ..	..	1,000 0 0	
†Furniture, Plate, Linen, China, Books, Pictures, Wearing Apparel, Jewels, and Ornaments ..	31 May '01	450 0 0	
†Wines and other Liquors ..			
†Horses and Carriages, Farming Stock, and Implements of Husbandry ..			
†Stock-in-Trade ..			
†Goodwill, &c., of Trade or Business ..			
Life Assurance Policies ..			
Rents due at the Death of the Deceased ..	..	23 13 11	
Mortgages and Interest due at the Death ..			
Bonds, Bills, Notes, and Interest due at the Death ..			
Book and other Debts ..			
Canal Shares, viz.:—			
Railway Shares, viz.:—			
East Western Railway Company, 5% Debentures ..	31 May '01	1,630 7 0	
Interest thereon due at Death ..	..	19 15 0	
Other Shares, viz.:—			
Mont Blanc Ice Company, Lim. ..	31 May '01	435 0 0	
Dividend thereon due at Death ..	..	26 3 2	
The Stocks or other Securities of British Colonies, viz.:—			
Ships or Shares of Ships ..			
Carried forward ..	..	£3,594 19 1	

† Property not converted into Money is to be valued at the time of retainer, and its value so ascertained inserted in Column No. 2, and Inventories and proper Valuations must be produced.

As to apportionment of Rents and other income see the Apportionment Act, 1870 (33 & 34 Vic., c. 35).

The Shares not converted into Money are to be valued at the market price of the day of retainer. If there be Shares in many Companies it may be convenient to insert the total amount or value in this Account, and annex a Statement of the particular Shares. *(See foot of next page for Rule for ascertaining market price).*

OBSERVE.—If this Account is delivered in connection with a life tenant's death, and the required particulars cannot be fully stated, the existing fund, together with any sums advanced and taken out of trust, should be brought in, and a statement should be annexed giving all the information available.

NOTE.—If there should not be room in this Form for the particulars of any description of Property, the total only of the amount or value of such Property is to be inserted here, and the particulars are to be stated on a separate paper.

The Stocks unconverted are to be valued at the market price of the day on which they are retained for the use of the residuary legatee. (*See footnote**.)

Description of Property	£ s d	Price of Stocks	Date of Sale, if Sold	No. 1. Money received and Property converted into Money	No. 2. Value of Property not converted into Money
				£ s d	£ s d
Brought forward			..	3,594 19 1	
Exchequer Bills					
Bank Stock					
East India Stock					
East India Bonds					
3 per cent. Consols					
3 per cent. reduced					
New 3 per cents.					
2¾ per cent. Consols..					
2¾ per cent. reduced..					
2½ per cent. reduced..					
Dividends on the above Stocks Due at the Death					
The Stocks or Public Securities of Foreign States, viz.:—					
Property which the Testator had power to appoint as he thought fit, viz.:—					
Property not comprised within the above description, viz.:— Interest in firm of X. and Y.			..	4,100 0 0	
Leasehold Property directed to be sold, *as per statement of particulars annexed*					
Real Property directed to be sold, *as per statement of particulars annexed*.. ..			31 May '01	2,000 0 0	
Insert the Total of Column No. 1 in Column No. 2					9,694 19 1
Total of Property.. ..					£9,694 19 1

OBSERVE.—Was the deceased possessed for life or otherwise of any *Real or Leasehold* property, other than that brought into this Account? Reply............. (Say "Yes" or "No.")

†A Statement of these Deductions, *signed by the Executor or Administrator*, is to be annexed.

‡Here state the particulars of any other lawful payments and of the Funds or other Securities purchased and when.

PAYMENTS.	£ s d	
Probate or Administration	411 8 0	
Funeral Expenses	100 0 0	
Expenses attending Executorship or Administration	4 2 8	
†Debts on Simple Contract, Rent and Taxes, Wages, &c., due at the Death of the Deceased, *as per Statement annexed*	300 0 0	
†Debts on Mortgage, with Interest (if any) due at the Death		
†Debts on Bonds and other Securities, with ditto		
Pecuniary Legacies, *as per Statement annexed*	50 0 0	
‡ purchased on the of at		
Deduct the Total of the Payments from the Total of the Property		865 10 8
Net Amount of Property carried forward ..		£8,829 8 5

*Where there is a published quotation, a price one quarter up from the lower to the higher of the official "closing prices" should be adopted as an estimated price. For example:—Where the "closing prices" were 98—100, the market price is $98 + \frac{100-98}{4} = 98\frac{1}{2}$. Where the day of retainer was a day for which no prices are available, the price for the day before should be taken.

To show BALANCE of CASH, if any.

Total of Column No. 1	..	£9,694 19 1
Total of Payments ..	..	865 10 8
Cash Account	..	£8,829 8 5

No. 3

NOTE.—Upon reversions falling in, state the date of the death of the Tenant for Life

Separate Papers are to be annexed to the Account to show how these Totals are made up.

* If the Cash balance has borne interest, the actual amount earned should be brought in. If it has not, but could have done so, interest at 3 per cent. per annum should be brought in.

	£ s d
Net amount of Property brought forward ..	8,829 8 5
INTEREST, DIVIDENDS, RENTS, &c., SINCE THE DEATH.	
Rents of Real and Leasehold Estates directed to be Sold to the time of Sale, if Sold; if not, to the date of this Account ..	
Dividend on the Stocks and Funds Sold to the time of Sale, and of those remaining Unsold, including the last Dividends ..	
Interest on Exchequer Bills Sold or Paid off to the time of Sale or Payment, and of those remaining Unsold, to the date of this Account ..	
Interest on Bonds, Mortgages, and other Securities Paid off, to the Day of Payment and of those outstanding, to the date of this Account ..	
*Interest on £ being the Balance of Cash in Hand as on the other side, to the date of this Account ..	
Income of Canal, Railway, and other Shares, to the time of Sale, and of those remaining unsold, and on other Property, yielding an Income not included in any of the above Items, to the date of this Account..	25 19 10
The value of the Benefit accruing to the Executor or other Person entitled to the Residue from the Interest of Money or Dividends of Stock retained to answer vested or contingent Legacies, payable at a future day without the intermediate Interest or Dividends ..	
Total ..	8,855 8 3

PAYMENTS OUT OF INTEREST, &c.	£ s d	
Interest on Mortgages, Bonds, and other Securities, due from the Estate ..		
Interest on Pecuniary Legacies ..		
Payments on account of Annuities ..		
Other Payments, if any, viz...		
Interest on Estate Duty ..	3 6 4	
Net Income paid to Mrs. X. ..	22 13 6	
Deduct the Total Amount of these Payments from the foregoing Total ..		25 19 10
Balance ..		8,829 8 5

A Schedule of Particulars of these Deductions to be annexed.

DEDUCTIONS FROM RESIDUE.	£ s d	
Debts still due from the Estate ..		
Retained to pay Outstanding Legacies ..		
Total Deductions ..		
Net Residue ..		8,829 8 5
Deduct any Portion of the Residue not liable to Duty, or for which Duty is paid on separate Receipts, viz. ..		
Residue on which Duty is chargeable ..		8,829 8 5

DECLARATION.

(1) State whether this Sum is the whole or what part of the Residue. (2) Insert the Christian and Surnames of the Residuary Legatees or next of Kin, and (3) their Relationship or Consanguinity, in the words of the Act, as set forth on the other side.

No. 1.

FOR USE IN ALL CASES EXCEPT AS IN No. 2.

I (or) We do declare that the foregoing is a just and true Account, and I (or) We offer to pay the sum of £573 18s. 3d. for the Legacy Duty, at the rate of 10 per cent. and 3 per cent. respectively upon the sums of £4,414 14s. 2½d., being (1) each one half of the said Residue and Moneys to which

No. 2.

FOR USE ONLY WHERE THE TESTATOR DIED AFTER 30TH JUNE 1888, AND BEFORE 2ND AUGUST 1894, and then only where the Residue comprises Real Estate directed to be sold as well as Personal Estate.

I (or) We do declare that the foregoing is a just and true Acconnt, and I (or) We offer to pay the sum of £ , of which £ is the *Legacy* Duty at per cent. on £ the proportion representing Personal Estate, and £ is the *Succession* Duty at per cent. on £ the proportion representing Real Estate, to which

This portion to be used with either form of declaration.

I am (or) We are entitled and which I (or) We intend to retain to my (or) our own use, and for the use of (2) Y. and Z. in equal shares, the former being a stranger to, and the latter being (3) a brother of the Deceased.

Dated this day of 1901.

A.
(*Here sign the Account*)..............................
B.

Rates of Legacy Duty payable on Legacies, Annuities, and Residues, by the Stamp Act, **1815 (55 *Geo. III. c.* 184), *and the Customs and Inland Revenue Act,* 1888 (51 & 52 *Vict. c.* 8).**

NOTE.—If the Deceased died on or after the 1st June 1881, every Pecuniary Legacy or Residue or Share of Residue, although not of the amount or value of £20, is chargeable with Duty; Customs and Inland Revenue Act, 1881 (44 & 45 Vict. c. 12), s. 42.

The description of the Residuary Legatee, or next of Kin, is to be in the following words of the Act.	On Real Estate, if the Deceased died *before* 1st July 1888, or if Estate Duty under the Finance Act, 1894, has been paid upon the property, and on Personal Estate.	On Apportioned Value of Real Estate where Deceased died *on or after* 1st July 1888, and Estate Duty under the Finance Act, 1894, has not been paid upon the property.
* Children of the Deceased, and their Descendants, or the Father or Mother, or any Lineal Ancestor of the Deceased, or the Husbands or Wives of any such Persons..	1 per Cent.	1½ per Cent.
Brothers and Sisters of the Deceased, and their Descendants, or the Husbands or Wives of any such Persons	3 do.	4½ do.
Brothers and Sisters of the Father and Mother of the Deceased, and their Descendants, or the Husbands and Wives of any such Persons	5 do.	6½ do.
Brothers and Sisters of a Grandfather or Grandmother of the Deceased, and their Descendants, or the Husbands or Wives of any such Persons	6 do.	7½ do.
Any Person in any other Degree of Collateral Consanguinity, or Strangers in Blood to the Deceased	10 do.	11½ do.

* Persons otherwise chargeable with Legacy Duty at the rate of 1 per cent. are exempt in respect of any Legacy, Residue, or Share of Residue, payable out of, or consisting of any Estate or Effects according to the value whereof duty shall have been paid on the Affidavit or Inventory, in conformity with the Customs and Inland Revenue Act, 1881, or where Estate Duty under the Finance Act, 1894, has been paid upon the value of the Property, and the same passes under the Deceased's Will or Intestacy.

The Husband or Wife of the Deceased is not subject to Legacy Duty.

Relations of the Husband or Wife of the Deceased are chargeable with Legacy Duty at the rate of 10 per cent. or 11½ per cent., as the case may be, unless themselves related in blood to the Deceased.

OBSERVE.—Interest at the rate of 3 per cent. per annum is chargeable upon Legacy and Succession Duty in arrear, under the provisions of the Finance Act, 1896 (59 & 60 Vict. c. 28), s. 18 (2).

DUTIES.

The rates of Estate Duty, as fixed by Section 17 of the Finance Act, 1894,* are as follow:—

Where the Principal Value of the Estate: Exceeds £	and does not exceed £	Estate Duty shall be payable at the rate per cent. of £ s d
100	500	1 0 0
500	1,000	2 0 0
1,000	10,000	3 0 0
10,000	25,000	4 0 0
25,000	50,000	4 10 0
50,000	75,000	5 0 0
75,000	100,000	5 10 0
100,000	150,000	6 0 0
150,000	250,000	6 10 0
250,000	500,000	7 0 0
500,000	1,000,000	7 10 0
1,000,000	..	8 0 0

The rate of the settlement Estate Duty where the property is settled shall be one per cent.

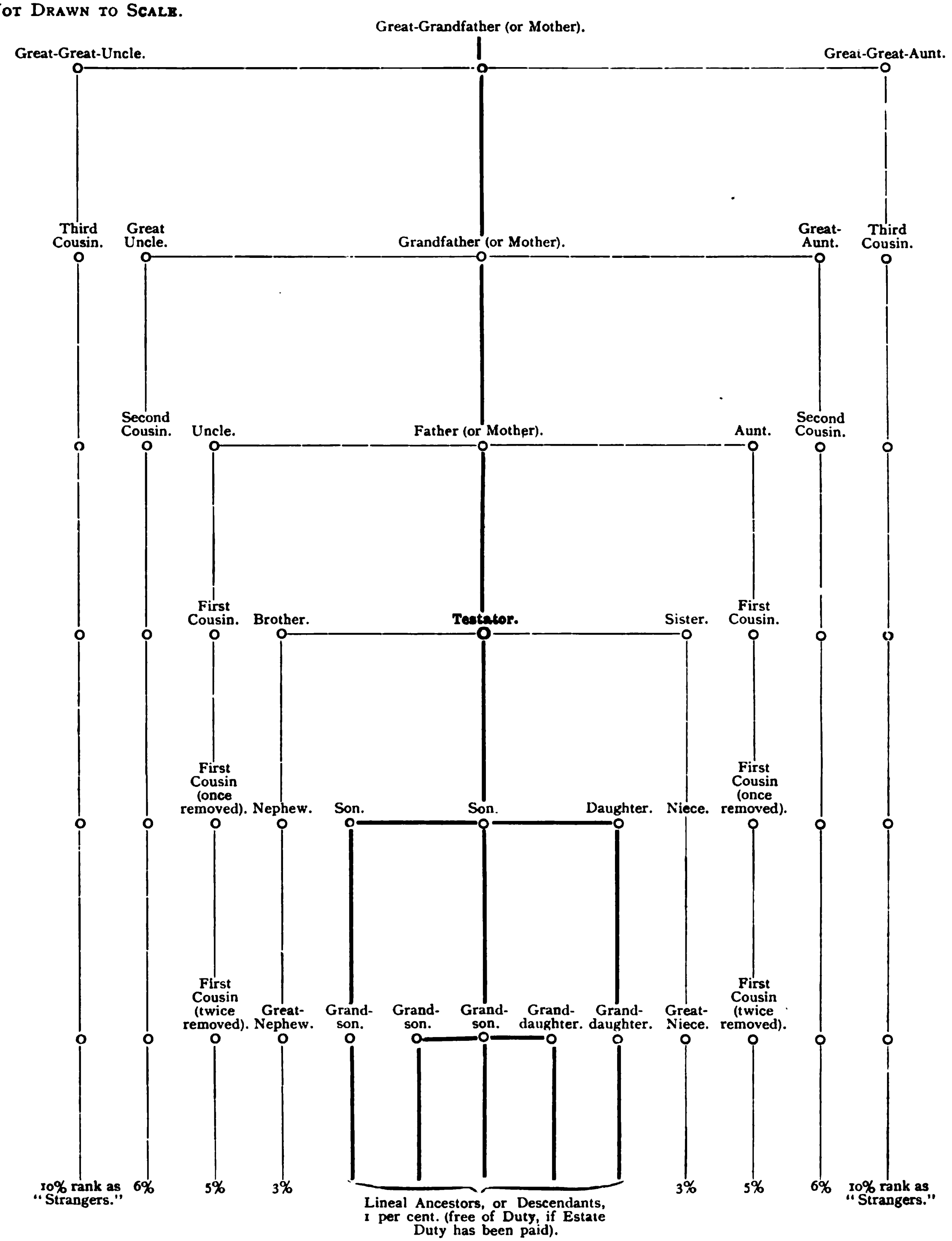
Duty is (now) payable on the exact value of the Estate at the date of death.

There are alternative scales for small estates: if the *gross* value of the estate does not exceed £300, an Estate Duty of 30s. may be paid; or in the case of estates not exceeding £500 *gross*, 50s. duty may be paid.

Students will find the following Table an aid to memorizing Legacy Duties, showing, as it does, that the rate is determined by the nearness (or remoteness) of the generation in which the direct line of the legatee *branched off* from the direct line of the deceased.

*At the time of going to the press the Finance Act, 1907, is not yet passed: it provides, however, increased rates in the case of estates exceeding £150,000; 7, 8, 9 and 10 per cent. being respectively substituted for 6½, 7, 7½ and 8 per cent. in the above table. On estates exceeding £1,000,000 the new rate is 10 per cent. on the first million, 11 per cent on the next half million, and so on up to a maximum of 15 per cent.

NOT DRAWN TO SCALE.



The husband (or wife) of deceased pays no Legacy Duty; husbands or wives of relations pay the same Legacy Duty as would their respective wives or husbands; relatives of the husband (or wife) of deceased rank "as strangers in blood," and pay the full 10 per cent. Legacy Duty.

CHAPTER XII.

THE DOUBLE-ACCOUNT SYSTEM.

THE second chapter of this work was devoted to an explanation of the essential difference between Capital and Revenue, and it was also there shown that both receipts and expenditure upon Capital Account were capable of a further subdivision—the receipts into "fixed liabilities" and "floating liabilities," and the expenditure into "fixed assets" and "floating assets." It is now necessary to consider the matter in further detail, with a view to explaining the nature and operations of the Double-Account System.

NATURE OF DOUBLE-ACCOUNT SYSTEM.

In the first place, it will perhaps be convenient to state what the Double-Account System is *not*. Students of accounting not infrequently are under the impression that the Double-Account System is synonymous with the Double-Entry System. This, however (as will be seen later on), is a complete misapprehension. Another common form of error is to suppose that the Double-Account System is a peculiar system of accounts which especially distinguishes between Capital and Revenue. The proper distinction between Capital and Revenue is a fundamental principle of *every* system of accounting. A Trial Balance summarises all Ledger balances into one general account, and the operation known as "closing the books" consists in the separation of the Capital items from the Revenue items. The latter are focussed together into the Revenue Account, which in practice is often sub-divided into sections (headed respectively "Trading Account," "Profit and Loss Account," "Net Profit Account," &c.), while the Ledger balances remaining after this operation has been concluded—*i.e.*, the Capital items—are brought together in the form of a Balance Sheet. The process of closing the books up to this point is identical under all systems of bookkeeping. The distinction between the Double-Account System and the Single Account System lies mostly in the form that the Balance Sheet takes. As has already been pointed out, the Revenue Account is, for purposes of convenience, frequently divided into sections: the first section showing the results of manufacturing (or of buying and selling, as the case may be); the second section reducing the Gross Profit shown by the preceding section to the Net Profit by the charging up of all establishment expenses; and the third section showing the ultimate disposition, or division, of such Net Profit. In connection with most undertakings it is found to sufficiently well answer all practical purposes to frame the Balance Sheet as an undivided whole; but with regard to some undertakings it is thought convenient to divide it into two sections, the first of which comprises "fixed assets" and "fixed liabilities" (along with the balance of Working Capital); while the second section contains the "Floating Assets," the "Working Capital," and the "Floating Liabilities." Undertakings which divide their Balance Sheet upon these lines are said to be kept upon the "Double-Account System."

If any attempt were being made in this work to deal with the subject of accounting upon an historical basis, it would be necessary to discuss in detail the origin of the Double-Account System, and a complete discussion of the matter would probably reach to considerable lengths. For present purposes, however, such an inquiry is hardly necessary, although perhaps a few words upon the subject will not be out of place. The object of the Double-Account System would appear to be to direct special attention to the importance of keeping a strict account of the expenditure of moneys received by the creation of Fixed Liabilities; that is to say, from the issue of Capital to Shareholders or Debenture-holders. The system is applied almost exclusively to Local Authorities and to companies that have been incorporated by special Act of Parliament to work public undertakings—such as Railways, Gas Companies, Water Companies, Electric Light Companies, and the like—in connection with which it has been made an express condition of authorising the Company to raise capital that such capital should be expended in certain specified directions. The Double-Account System will enable even those who are unacquainted with scientific bookkeeping to readily discern to what extent moneys received from Shareholders and Debenture-holders have been applied in the acquisition of Fixed Assets, and this would appear to be the principal, if not the sole, reason for employing this particular form of accounts. Another point to be borne in mind in connection with this subject is that, prior to the introduction of electrical undertakings in commerce, those concerns which were required to frame their accounts upon the Double-Account System possessed in common the important factor that, while they were required to carry on their undertaking permanently at least as much for the public good as for the benefit of investors, the Fixed Assets which they acquired were in the nature of things extremely numerous, so numerous indeed that the cost of from time to time replacing them as they wore out would (roughly speaking) automatically average itself as a fairly level charge against the profits of each successive year: consequently—in view of the fact that such replacements of worn-out assets must necessarily take place, in order to enable the concern to continue its business—it was considered that it would be a more certain and sounder basis for the accounts to require such provision for the replacement of worn-out Fixed Assets to be made directly out of Revenue, than to charge Revenue with an estimated provision for Depreciation and to allow successive replacements of assets to be capitalised as and when they were effected.

LIMITATIONS OF DOUBLE-ACCOUNT SYSTEM.

This idea, ingenious as it undoubtedly is, would appear to have emanated from a lawyer rather than an accountant. One seems to trace in it the well-known affection of the Chancery Division for a Cash Statement, as well as its rooted distrust of all accounts framed upon any other basis; while the system, although approximately accurate under most circumstances, omits to provide for several contingencies that could hardly have escaped the notice of the trained accountant. To some extent, this subject may be more profitably discussed under the heading of "Depreciation and Reserves," which is fully dealt with in Chapter XX., but the following points may be usefully mentioned here:—

(1) Assuming that for a period of, say, 50 years, the total amount of expenditure necessary to keep the Fixed Assets of an undertaking in a proper state of working efficiency was £50,000, then as a matter of fact the sum of £1,000 ought to be charged against each year's revenue in order to arrive at the true net profit for that year, and this remark applies as much to the first year of the undertaking's existence as to the fiftieth. Under the Double-Account System, however, if only actual expenditure on replacements be charged against Revenue, it is clear that during the first few years the payments under this heading will be much smaller than the average expenditure of £1,000. Consequently, if the Double-Account System be strictly applied in its entirety, the true Net Profits of the undertaking during the first few years of its existence will, as a matter of

course, be over-stated. This defect is in practice generally obviated by debiting to Revenue, not the actual expenditure incurred, but an estimated annual expenditure: for example, taking the case already cited, if the proper annual charge for renewals be estimated at £1,000, but the actual expenditure during the first year were only £400, then, instead of debiting Revenue Account with but £400 for renewals, Revenue Account would be debited with £1,000 and a "Provision for Renewals Account" credited with the corresponding sum. The Provision for Renewals Account would be debited with the actual expenditure incurred (£400), and the credit balance of £600 would be brought forward into the Balance Sheet taken out at the end of the first year as a Floating Liability. By this means the over-stating of Net Profits may be avoided, while still retaining the *form* of the Double-Account System. It will be seen, however, that the *principle* of the Double-Account System is no longer retained in its entirety.

(2) If the Double-Account System be rigidly adhered to, the aggregate amount of Capital Expenditure can only be altered as actual extensions of the original work are undertaken. The cost of replacement of Fixed Assets will be in all cases charged against Revenue, no matter whether such replacements cost more or less than the original expenditure under the same heading. From whichever point of view the matter be regarded, this seems hardly reasonable. The Single-Account System—*i.e.*, the ordinary commercial system of accounting—aims at charging the cost of assets against Revenue during the period that such assets are of use to the undertaking, the annual charge being so framed that by the time these assets are useless the whole of their cost has been written off, leaving the undertaking free to purchase, out of Capital, further new assets to take their place. If the new assets cost more than the old ones that have now been worn out, the result of this operation will be that the actual Capital Expenditure will be increased *pro tanto;* while *per contra* if the cost of such assets has been reduced, the aggregate capital expenditure would be lessened to a corresponding extent. This is as it should be, for it makes the charges against Revenue for Depreciation of Fixed Assets dependent upon the actual cost of the Fixed Assets that are then in existence. With the Double-Account System, on the contrary, if, for example, a gas-main has become worn-out and has to be replaced, the cost of such replacement is charged against Revenue. If the cost of making and laying mains has increased since the Company was formed, the result will be that the Capital Expenditure of the Company stands at a lower figure than the actual expenditure incurred in Fixed Assets then in existence, with the result that an unfair charge has been made against Revenue Account; if, on the other hand, the cost of materials and labour has decreased since the Company first came into existence, the result will be that the whole cost of the original assets that are now worn-out has not been made good out of Revenue by the time they have been removed and replaced by others of equal utility, and under these circumstances, of course, Revenue Account is favoured at the expense of Capital Account. The effect of this rigid adherence to the Double-Account System is to discourage replacements and renewals in localities where the cost has risen, and to somewhat unduly encourage them in localities where the cost has fallen. And, although, in point of fact, instances of a Fixed Asset being replaced by another of an exactly similar description are perhaps rare, the same principles will, of course, apply where enlargements are contemplated, as only that portion of the new work which represents an improvement in the working efficiency or capacity of the old work can, under the Double-Account System, be treated as Capital Expenditure. In practice, business men have to some extent reduced matters to a reasonable level by departing from the strict letter of the Double-Account System. For example, in Australia—where the cost of engineering work is at the present time considerably less than it was when railways were first started on that continent—the usual practice is to gradually write down the actual expenditure as the high-priced old assets become worn-out and are

replaced by lower costing assets of equal efficiency; while in this country, where the cost of engineering work shows a tendency to continually increase, the initial Capital Expenditure is indirectly written up as the Fixed Assets are renewed by charging Capital with more than its strictly fair proportion of the aggregate cost when renewals and enlargements take place simultaneously.

(3) Perhaps the weakest feature of the Double-Account System as a whole is that, while it provides for all necessary renewals being made good out of Revenue (a provision which, as has already been explained, to a large extent obviates the necessity of providing for Depreciation), it omits to take into account what may be styled as expenditure upon *abandoned objects.* Under any sound business system of accounting Fixed Assets that have become useless for the purposes of the business, or which are no longer used for its purposes, should in all cases be written down to the actual realisable value, and the amount that has to be then written off would be charged against Revenue. Under the Double-Account System, however, nothing has to be charged against Revenue until a renewal of the original assets takes place. If the assets are being continually used, such renewal cannot, of course, be very considerably delayed beyond the proper time; but if the assets have altogether fallen out of use, expenditure upon their renewal may be indefinitely postponed, and thus losses which have in fact actually occurred will not be charged against Revenue. For example, if a siding, or a station, be abandoned, it will, under the Double-Account System, still enter into the total of Capital Expenditure, even although it may be possessed of no value, either intrinsic or as a means of earning revenue.

(4) Again, while disregarding such extreme cases as the preceding, it may be pointed out that the actual amount to be charged against the profits of any one year for renewals may be easily modified to a large extent by *deferring* expenditure which is really necessary to make good a shrinkage in value that has actually taken place. To some extent this risk is obviated by the fact that the Fixed Assets of such undertakings must be kept in a reasonable state of efficiency to enable them to carry on their work without accident, and to some extent also the certificates required from the permanent officials of the Company, that the assets of their respective departments are in proper working order, may also be regarded as a safeguard; but there is a considerable margin of difference between such deterioration as makes the continued working of an asset dangerous and such deterioration as may have a marked effect upon its true value; while the certificates of permanent officials (being, in the nature of things, but the expression of an individual opinion—and not an independent opinion at that) also leave room for a certain amount of latitude.

(5) Upon the whole, however, it seems probable that it is in matters of detail that the system will be found most defective in practice. The sort of undertaking to which the system is applied is almost invariably of a complex nature, and numerous inter-departmental transfers take place daily, which are —or should be—charged out at cost price. This necessitates the employment of accurate Cost Accounts, whereas the rough-and-ready provision for Depreciation under the Double-Account System renders the keeping of really reliable Cost Accounts an impossibility. It is thought that the question here raised has been, as yet, very incompletely explored; but its vital importance is hardly likely to be gainsaid.

APPLICABILITY OF DOUBLE-ACCOUNT SYSTEM.

It has already been stated that the Double-Account System has been prescribed by Parliament as being applicable to the accounts of certain specific undertakings. Its use in practice is, however, by no means necessarily confined to these. All undertakings working upon similar lines may, with equal convenience, employ the Double-Account System; and so long as its rules be interpreted with a reasonable amount of intelligence and latitude in cases where a strict application would unfairly favour either Capital or Revenue, the system may

be well applied, not merely to the accounts of Railway, Gas, Water, and Electric Light Companies, but also to Tramway, Canal, Shipping, Telephone, and Mining Companies, and to Companies owning property from the letting of which they derive a regular income. The system is, however, unsuitable to undertakings which from time to time sell a portion of their Fixed Assets (or those assets which under ordinary circumstances would be regarded as "fixed"), as, for example, a Land Development Company, which after spending money upon the acquisition of land and upon draining and road-making, disposes of it in plots for building purposes.

Speaking generally, it is, as has already been stated, a distinctive feature of the Double-Account System that it does not provide directly for the Depreciation of Fixed Assets. There is, however, no difficulty in employing the Double-Account *form* while yet writing down Fixed Assets to provide for Depreciation; but under such circumstances it is not obvious what advantages remain, as perhaps the greatest advantage of employing the Double-Account System at all is that it shows clearly the actual Capital Expenditure that has been incurred upon Fixed Assets from time to time, regarding such figure of cost as being a more useful item of information than any hypothetical valuation of assets which have not been realised, and which it is not intended to realise in the ordinary course of business operations.

CHAPTER XIII.

INCOME TAX.

IT is not proposed to deal exhaustively in this work with the law relating to Income Tax. The subject is one that could only be discussed adequately at a far greater length than is here available, and it may be added that it would be inconsistent to discuss the law of Income Tax fully without according the same treatment to many other branches of law which affect accounts more or less directly. The present moment would, moreover, be a particularly inopportune one for the purpose of considering Income Tax law in detail, inasmuch as it is probable that somewhat considerable alterations will be effected therein in the near future. Be that as it may, however, the law determining the method of making assessments for Income Tax is outside the scope of the present work: it is proposed here merely to deal with those portions of the subject that directly affect the accounts as such.

Broadly speaking, Income Tax is a charge against business profits, but one that is (as a rule) not based directly upon the amount of such profits. Generally, the tax is paid directly to the official collector; but inasmuch as the rule obtains of taxing all income, as far as possible, at its source, the tax is sometimes paid by those from whom the profits have been received, in which case they have the right to deduct it from the profits paid over by them. The most common examples of Income Tax so paid indirectly occur in connection with the payment of rent, interest, and dividends.

For example, a tenant who pays rent to his superior landlord is frequently called upon to pay Income Tax assessed under Schedule "A" (or "Property Tax," as it is commonly called): from the next subsequent payment of rent to the superior landlord it is competent for him to deduct the tax so paid by him, provided that the assessment under Schedule "A" does not exceed the amount of rent actually payable. If, however, the assessment exceeds the rent, tax on the rent only may be deducted. Thus, if the rent actually paid be at the rate of £100 per annum, and the assessment be upon £83 6s. 8d. net (£100 less ⅙th allowed for repairs, &c.), the whole tax so paid may be deducted from the next payment of rent. If, however, the assessment be for less than £83 6s. 8d. net, the amount of tax actually paid can alone be deducted, as the tenant is not entitled to make any profit out of the Income Tax; if, on the other hand, the net assessment be more than £83 6s. 8d., only the tax on £83 6s. 8d. may be deducted from the rent paid to the landlord, and the balance of such tax must be borne by the tenant. This, on reflection, will be found to be perfectly reasonable, as, if the net assessment be higher than the rent, the presumption is that the rent is less than the true net annual value of the premises, and therefore that the tenant has himself a beneficial interest in the premises. Some Income Tax Surveyors contend, however, that, in the circumstances named, the tenant is entitled to deduct from his rent the *whole* of the tax paid by him under Schedule A, provided the amount so deducted does not exceed tax at the current rate upon the *full* amount of the rent. It is submitted that this contention is incorrect, but the point has

never been judicially determined, and is thus not free from doubt.

Tax may be deducted from annual interest, or any other similar payment, by the person making such payment, and will in all cases be at the rate current during the time that the payments accrued due. If there has been an alteration in the rate of tax during that period, a corresponding apportionment must be made. The same remarks apply to dividends; but interest and dividends paid by certain classes of undertakings (*e.g.*, public funds) are required to bear deduction for Income Tax at the rate current when the dividend is actually paid. All sums so deducted for Income Tax must be duly accounted for to the Inland Revenue authorities by the party making the deduction, except when such payments are made out of profits which have already been fully assessed. Thus, if a Company has been fully assessed on its profits under Schedule "D," it is under no obligation to account to the Inland Revenue, in addition, for tax deducted from interest on debentures, dividends on shares, &c., because the profits out of which such payments have been made are included in the Company's assessment under Schedule "D."

Leaving upon one side such items as those already alluded to, on which Income Tax is paid by the recipient of the income indirectly, the amount actually payable in respect of Income Tax under Schedule "D" will never exactly agree with the actual profits earned, partly because certain proper charges against profits are not allowed by the Income Tax authorities as deductions from income, and partly because certain deductions and abatements are allowed by the Income Tax authorities which are not trade expenses, but perhaps chiefly because the assessment under Schedule "D" will not (save in exceptional cases) be on the profits of any single year, but upon the average profits for the last three completed years—or, in the case of a new business, on the average profits since such business was commenced. It should further be borne in mind that the Government year closes on the 5th April, and that Income Tax is usually demanded, and paid, during the month of January. An undertaking, therefore, which closes its books in the latter part of the calendar year will usually at the date of its Balance Sheet have a liability in respect of Income Tax accruing due; while an undertaking which closes its books in the first three months of the year will usually have paid Income Tax up to the subsequent 5th of April, and therefore in advance. This is a matter that should always be borne in mind when calculating the outstanding liabilities and payments made in advance for Balance Sheet purposes. Unless the question of Income Tax be carefully considered, there is often a danger of the first half-year's, or year's, profits of a new undertaking being over-stated by omitting to take into account the accruing liability in respect of Income Tax.

It is thought that the best plan is to debit Income Tax Account as a matter of course with tax at the current rate on the profits earned during that period which are liable for taxation, the amount so charged being credited to an "Income Tax Suspense Account." This latter account should be debited with all Income Tax paid, and at each successive Balance Sheet the balance on the Suspense Account may be adjusted if necessary.

In the case of Limited Companies a very considerable portion of the tax actually paid will be recovered from debenture-holders and preference shareholders, and perhaps also from holders of ordinary shares. In such cases it is clear that the Company itself will only have to actually bear the Income Tax on those profits which remain undivided, and on such sums as may represent the difference between the amount of the assessment and the true profits for the period. The amount to be actually debited to Profit and Loss Account should be reduced accordingly. It is desirable, however, if the exact charge cannot be determined in advance, to debit the first Profit and Loss Account with a sum sufficient to provide a slight reserve in hand. This is important, in that it will generally be found, as time goes on, that tax has to be paid on a sum considerably *in excess of* the true profits. The following problem will, it is thought, clearly explain the working of all the points already referred to:—

PROBLEM.—A Limited Company commenced business on 1st July 1895. It balanced its books annually, and the following are the results shown:—

	Balance of Profit and Loss Account	Deductions not allowed for Income Tax purposes	Income Tax paid by Company	Dividends declared from which Tax was deducted)
1895 6	£3,800	£600	£100	£3,000
1896-7	5,600	700	100	5,000
1897-8	4,600	700	175	5,000
1898-9	2,800	600	175	3 000

Show the net amount to be charged against each year's profits for Income Tax, and the Income Tax Suspense Account for the four years.

Dr. INCOME TAX SUSPENSE ACCOUNT. Cr.

Date		£ s d	Date		£ s d
1896 Jan. 1	To Cash	100 0 0	1896 June 30	By Income Tax Account (8d. in the £ on £4,400)	146 13 4
June 30	" Balance	46 13 4			
		£146 13 4			£146 13 4
			1896 July 1	By Balance	46 13 4
1897 Jan. 1	To Cash	100 0 0	1897 June 30	" Income Tax Account (8d. in the £ on £6,300)	210 0 0
June 30	" Balance	156 13 4			
		£256 13 4			£256 13 4
			1897 July 1	By Balance	156 13 4
1898 Jan. 1	To Cash	175 0 0	1898 June 30	" Income Tax Account (8d. in the £ on £5,300)	176 13 4
June 30	" Balance	158 6 8			
		£333 6 8			£333 6 8
			1898 July 1	By Balance	158 6 8
1899 Jan. 1	To Cash	175 0 0	1899 June 30	" Income Tax Account (8d. in the £ on £3,400)	113 6 8
June 30	" Balance	96 13 4			
		£271 13 4			£271 13 4
			1899 July 1	By Balance	96 13 4

Dr. INCOME TAX ACCOUNT. Cr.

Date		£ s d	Date		£ s d
1896 June 30	To Income Tax Suspense Account	146 13 4	1896 June 30	By Dividend Account	100 0 0
			"	" Profit and Loss Account	46 13 4
		£146 13 4			£146 13 4
1897 June 30	To Income Tax Suspense Account	210 0 0	1897 June 30	By Dividend Account	166 13 4
			"	" Profit and Loss Account	43 6 8
		£210 0 0			£210 0 0
1898 June 30	To Income Tax Suspense Account	176 13 4	1898 June 30	By Dividend Account	166 13 4
			"	" Profit and Loss Account	10 0 0
		£176 13 4			£176 13 4
1899 June 30	To Income Tax Suspense Account	113 6 8	1899 June 30	By Dividend Account	100 0 0
			"	" Profit and Loss Account	13 6 8
		£113 6 8			£113 6 8

NOTE.—The balance to credit of Income Tax Suspense Account on the 30th June in each year represents (a) *the liability for Tax accruing since 5th April previous;* (b) *provision to compensate for the fact that the assessment is on the three years' average.* (c) *£8 6s. 8d. can be claimed in respect of Income Tax overpaid in January 1899;* (d) *when the rate of Tax alters from year to year, the proper Reserve on this account may require careful revision.*

RETURNS FOR INCOME TAX.

The preparation of accounts for submission to the Inland Revenue authorities comes properly under the heading of accounting, and must therefore be dealt with in the present work. Such accounts are chiefly required in connection with assessments under Schedule "D," to which, therefore, our comments may be confined. The basis of such assessments is (as has already been stated) the profits of the last three years completed before the 6th April. Returns are ordinarily required about June. If, therefore, the usual period of balancing be, say, the 30th June, the assessment for the year *ended* 5th April 1907 will be on the average profits for the three years ended 30th June 1905. If, however, the accounts are generally balanced at the end of December, the basis would be the accounts for the three years ended 31st December 1905. Occasionally an undertaking will, for one reason or another, alter the date of its periodical accounts; for example, a concern which up to the 31st December 1903 had regularly closed its books at the end of the calendar year, might again take out a Balance Sheet on the 30th June 1904, and thereafter balance its books regularly at the end of June. In such a case, the proper basis for the assessment for the year 1907-8 would be the three and a-half years ended 30th June 1906.

It is the duty of every business concern to prepare, in or about the month of June, a return for Income Tax purposes, and, if the return be accepted, the assessment will be upon the basis of such return. No accounts are required to accompany the return; but inasmuch as the person making it has to at the same time make a statutory declaration as to its truth, it is clear that (if called upon) he should be in a position to substantiate his figures. Under no circumstances should a return be based upon estimates. If no proper accounts have been prepared in the past, and it is now impossible to compile them, no return should be made; but if no such return be made (or if the Surveyor, or the Commissioners, do not accept the return) they will make such an assessment as they may think fit, and unless the party assessed gives due notice of appeal, the assessment cannot be set aside. In such a case, the tax due under the assessment must be paid (in theory before the close of the current calendar year, but practically) during the first three months of the ensuing calendar year; but the party assessed may claim to have refunded to him the amount of tax overpaid, if he can satisfy the authorities that the amount actually paid by him is in excess of the amount upon which he was legally liable.

Special attention is directed to the following clauses of the Finance Bill, 1907, which will doubtless be enacted in due course:—

Relief in Respect of Earned Income where Total Income does not exceed £2,000.

18.—(1) Any individual who claims and proves, in manner provided by this section, that his total income from all sources does not exceed two thousand pounds, and that any part of that income is earned income, shall be entitled, subject to the provisions of this section, to such relief from income-tax as will reduce the amount payable on the earned income to the amount which would be payable if the tax were charged on that income at the rate of ninepence.

(2) The relief given by this section shall be in addition to and not in derogation of any exemption, or other relief or abatement under the Income Tax Acts, except that where an individual is entitled to relief from income-tax under Section 8 of the Finance Act, 1898, or in respect of the payment of premiums, under Section 54 of the Income Tax Act, 1853 (as extended by any subsequent enactment), relief shall be given under this section only in respect of such earned income (if any) as remains after deducting therefrom the amount on which he is relieved of income-tax under the said Sections 8 and 54.

(3) Where relief is given under Section 8 of the Finance Act, 1898, or Section 54 of the Income Tax Act, 1853, by way of repayment of the tax after relief has been given under this section, the amount repaid shall be adjusted so that the total amount of the relief given under this section and under the said Sections 8 and 54 does not exceed the amount which would have been given if the whole relief had been claimed simultaneously.

(4) An individual who desires relief under this section must, in cases where he is required to make a return for the purpose of the assessment of income-tax, claim that relief at the time the return is made, and must, in any case, claim that relief before the thirtieth day of September in the year for which the tax is charged. For the purpose of making a claim with respect to income-tax charged under this Act for the current year, any individual may, before the thirtieth

day of September nineteen hundred and seven, substitute a fresh return for any return previously made by him.

(5) An individual shall not be entitled to relief under this section in respect of any income the tax on which he is entitled to charge against any other person, or to deduct, retain, or satisfy out of any payment which he is liable to make to any other person.

(6) Subject to the provisions of this section, all the provisions of the Income Tax Acts which relate to claims for exemption, relief, or abatement, or the proof to be given with respect to those claims, shall apply to claims for relief under this section and the proof to be given with respect to those claims.

(7) For the purposes of this section the expression "income" means income as estimated according to the several rules and directions of the Income Tax Acts; and the expression "earned income" means—(*a*) any remuneration from any office or employment of profit held by the individual in the year of assessment; and (*b*) any income from any property which is attached to or forms part of the emoluments of any such office or employment of profit; and (*c*) any income which is charged under Schedules B or D in the Income Tax Act, 1853, and is immediately derived by the individual from the carrying on or exercise by him of his profession, trade, or vocation. In cases where a wife's profits are deemed to be profits of the husband, any reference in this provision to the individual includes either the husband or wife.

Special Provisions applicable to Partners.

19.—Where an individual carrying on or exercising any profession, trade, or vocation in partnership with any other person makes any claim for exemption, relief, or abatement under the Income Tax Acts, the income of the individual from the partnership for the year to which the claim relates may be treated separately for the purpose of any such exemption, relief, or abatement, and if so treated shall be deemed to be the share to which he is entitled during the said year in the partnership profits, such profits being estimated according to the several rules and directions of those Acts.

Particulars to be given by Employers.

20.—(1) Every employer, when required to do so by notice from an assessor, shall, within the time limited by the notice, prepare and deliver to the assessor a return of the names and addresses of any persons employed by him, to whom this provision applies, and of the payments made to those persons in respect of that employment, and Section 55 of the Income Tax Act, 1842, shall apply with respect to any such return as it applies with respect to the lists, declarations, or statements mentioned in that provision. This provision applies to all persons employed by an employer, except persons who are not employed in any other employment, and whose remuneration in the employment for the year does not exceed the sum for the time being fixed as the limit for total exemption from income-tax.

(2) Where the employer is a body of persons, corporate or unincorporate (including a company), the secretary of the body, or other officer (by whatever name called) performing the duties of secretary, shall be deemed to be the employer for the purposes of this provision, and any director of a company, or person engaged in the management of a company, shall be deemed to be a person employed.

Liability to make Returns.

21.—(1) Every person upon whom notice is served in manner prescribed by Section 48 of the Income Tax, 1842 (which relates to the delivery of notices by Assessors), requiring him to make a return of any profits, gains, or income in respect of which he is chargeable with duty under Schedule D or Schedule E in the Income Tax Act, 1853, shall make a return in the form required by the notice, whether he is or is not chargeable with duty, and in default shall be liable to a penalty under Section 55 of the Income Tax Act, 1842, accordingly, Provided that a penalty inflicted in the case of a person proceeded against for not complying with this provision, who proves that he was not chargeable to duties, shall not exceed five pounds for any one offence.

(2) The duties imposed on officers of any corporation, company, fraternity, fellowship, or society by Sections 40 and 54 of the Income Tax Act, 1842, and by Section 18 of the Customs and Inland Revenue Act, 1879, shall, in the case of any company, be performed by the secretary of the company, or other officer (by whatever name called) performing the duties of secretary.

Extension of Time for Certain Proceedings.

22.—(1) Notwithstanding anything in an Acte concerninge Informers, being chapter five of the Acts of the thirty-first year of the reign of Queen Elizabeth, or in Subsection 4 of Section 21 of the Taxes Management Act, 1880, or in Subsection (2) of Section 22 of the Inland Revenue Regulation Act, 1890, or in any other enactment, proceedings for the recovery of any fine or penalty incurred under the Income Tax Acts may be commenced within three years next after the fine or penalty is incurred.

(2) The time during which an assessment may be amended or an additional first assessment made under Section 52 of the Taxes Management Acts, 1880 (which relates to the amendment of assessments by Surveyors), or during which an assessment may be made on the estate of a deceased person under Section 24 of the Customs and Inland Revenue

Act, 1890 (which relates to the power to make such assessments), shall be any time within the year of assessment or within three years after the expiration thereof, and the time during which in cases of omission to charge any person a charge may be made under Section 63 of the Taxes Management Act, 1880 (which relates to the powers of Surveyors to make such charges), shall be a period of three years after the expiration of the year for which the person ought to have been charged.

Provisions with Respect to Computing Profits by Average of Three Years.

23.—(1) Section 133 of the Income Tax Act, 1842, and Section 6 of the Revenue Act, 1865 (which provide for the reduction of assessments or the repayment of duty in certain cases where the profits of the year of assessment fall short of the sum on which the assessment has been made), shall be repealed.

(2) Where a person charged or chargeable with income tax in respect of any profession, trade, or vocation which has been set up or commenced within the period of three years upon the average of which the profits or gains are to be taken under the Income Tax Acts, or within the year of assessment, proves at the end of the year of assessment to the satisfaction of the Commissioners by whom the assessment has been or can be made that the actual profits or gains arising from the profession, trade, or vocation in the year of assessment fall short of the profits or gains as computed in accordance with those Acts, he shall be entitled to be charged on the actual amount of the profits or gains so arising instead of on the amount of the profits or gains so computed, and, if he has paid the full amount of the tax on the profits or gains so computed, be entitled to repayment of the amount overpaid.

Payment of Tax on Royalties by Deduction.

24.—(1) In estimating, under any schedule of the Income Tax Acts, the amount of the profits and gains arising from any trade, manufacture, adventure, concern, profession, or vocation, no deduction shall be made on account of any royalty or other sum paid in respect of the user of a patent, but the person paying the royalty or sum shall be authorised, on making the payment, to deduct and retain thereout the amount of the rate of income tax chargeable during the period through which the royalty or sum was accruing due.

(2) Subsection (3) of Section 24 of the Customs and Inland Revenue Act, 1888, shall apply to any such royalties or sums as it applies to interest of money or annuities charged with income tax under Schedule D in the Income Tax Act, 1853.

Provisions with Respect to Wear and Tear of Machinery or Plant.

25.—(1) For the purpose of enabling deductions for wear and tear to be allowed by the additional Commissioners, claims in respect of those deductions shall be included in the annual statement required to be delivered under the Income Tax Acts of the profits or gains of the concern for the purpose of which the machinery or plant is used, and the additional Commissioners in assessing those profits and gains shall make such allowances in respect of those claims as they think just and reasonable.

(2) No deduction for wear and tear or repayment on account of any such deduction shall be allowed in any year if the deduction, when added to the deductions allowed on that account in any previous years, will make the aggregate amount of the deductions exceed the actual cost of the machinery or plant.

(3) Where as respects any trade manufacture, adventure, or concern full effect cannot be given to the deduction for wear and tear in any year owing to there being no profits or gains chargeable with income tax in that year, or owing to the profits or gains so chargeable being less than the deduction, the deduction or part of the deduction to which effect has not been given, as the case may be, shall, for the purpose of making the assessment for the following year, be added to the amount of the deduction for wear and tear for that year and deemed to be part of that deduction, or if there is no such deduction for that year, be deemed to be the deduction for that year, and so on for succeeding years.

(4) In this section the deduction for wear and tear means the deduction allowed, or which would be allowed, under Section 12 of the Customs and Inland Revenue Act, 1878, as representing the diminished value, by reason of wear and tear during the year, of machinery or plant used for the purposes of any trade, manufacture, adventure, or concern.

Power of Commissioners for Special Purposes to Allow Relief under Section 23 of 53 & 54 Vict. c. 8

26.—Any application for relief under Section 23 of the Customs and Inland Revenue Act, 1890, may be made either to the Commissioners for the general purposes of the Acts relating to income tax as provided in that section or to the Commissioners for the special purposes of those Acts, and the last-named Commissioners shall have the same power under that section as the first-named Commissioners have.

The following is the official form of return for assessment to Income Tax:—

No. 11. Page 1.

Parish or Place_______________

No. of Assessment___________

RETURN FOR ASSESSMENT

TO

INCOME TAX, SCHEDULE D,

Year ending 5th April 1908.

To_______________________________

of_______________________________

In pursuance of the provisions of the Income Tax Acts, you are hereby required to fill in the "Statement of Income" on page 3 of this form, so far as it is applicable to your case, and return it to me *within* 21 *days* from this date. If, however, you elect to be assessed under No. or Letter, or by the Special Commissioners—*vide* footnote on page 3—it should be sent *within the same period* either to the Clerk to Commissioners, or to the Surveyor of Taxes, as there directed.

If a Return has already been rendered, either Declaration "(B)" or "(C)" on page 2 should be filled in, if applicable, or the address from which it was made, and the name and address of the person to whom it was sent, stated.

The accompanying Paper of "General Explanations and Instructions" has been drawn up in order to assist you in making the Return. If you desire further information on any point you should apply to the Surveyor of Taxes at

The penalty for not making a Return or for making an untrue Return is £20, and treble the Duty chargeable.

Given under my hand this________day of______________ 1907.

______________________Assessor of Taxes.

______________________Address.

Page 2.

SPECIAL DECLARATIONS AND CLAIMS.

TO BE FILLED UP WHERE APPLICABLE.

(A.) **Declaration** by the **precedent Acting Partner of a Firm**; or by the **Agent**, if none of the Partners are resident in the United Kingdom

	Description or Style of the Firm	Names of the Partners	Residences of the Partners
I hereby declare that I am* ____________ of the Firm, the Names of the several Partners of which, and their Residences, are herein stated, with a description of the Firm, and the place or places of carrying on the Trade or Business, or exercising the Profession. Dated this day of 1907. Signed ____________ *State whether precedent Acting Partner or Agent.	Place or places of carrying on the Concern.		

(B.) **Declaration** as to the Place of Assessment where the Person is engaged in the same Trade or Profession in two or more Places, or where the Person carries on his Trade or Profession in a different Parish from that in which he resides.

	Description of Trade or Profession.	Where carried on	Address from which a Return has been made, and from which the Duties are to be paid.
I hereby declare that I am engaged in Trade or Profession, at the Place or Places herein set forth, and that a Return has been, or will be, duly made for Assessment upon me at the Address herein specified. Dated this day of 1907. Signed ____________			

(C.) **Declaration** by a **Partner in Trade** chargeable under the joint Assessment of the Firm.

	Name of the Firm.	Where the Return is made.
I hereby declare that I am engaged in Trade or Business with the persons herein described, and that the Return of the Firm includes the whole of my profits chargeable under Schedule D, except such profits as are included in the statement given on page 3. Dated this day of 1907. Signed ____________		

(D.) **Declaration** to be made by a *Partner desirous of being separately assessed*, for the purpose of claiming Exemption or Abatement from the Duties, or of accounting for separate Concerns for the purpose of setting off the loss sustained in one Concern, against the Profits acquired in any other such Concern.

I hereby declare, that my proportion of the Profits and Gains of the Trade or Business carried on under the Firm of ____________ is ____________ part thereof, for which I am desirous of being separately assessed.

Dated this day of 1907. Signed ____________

(E.) **Claim for Allowance in Respect of Life Insurance.**

NOTE.—The Allowance is only authorised in respect of Premiums paid on the Claimant's own Life or on that of his Wife, and does not extend to Premiums paid to any Foreign Insurance Company or Foreign or Colonial Friendly Society; it is limited to an expenditure on Annual Premiums not exceeding one-sixth of the Claimant's net personal Income from all sources, and has not the effect of giving Exemption or Abatement where the total Income is thereby reduced below the respective limits. In order that the Allowance may be granted in respect of such Premiums it is necessary that the following particulars should be stated, and that the Receipts for the Premiums should, if required, be transmitted to the Surveyor of Taxes.

Particulars of Premiums paid for Life Insurances, or under Contracts for Deferred Annuities.

Name of person on whose Life the Insurance or Annuity is effected.	Name of Insurance Company or Friendly Society.	Amount of Premium claimed as an Allowance from the Profits stated on the following page.	When Payable.

(F.) **Claim for Allowance in respect of Wear and Tear of Machinery or Plant.**

Amount claimed as a deduction for diminished value by reason of Wear and Tear, where the Machinery or Plant belongs to the Person or Company carrying on the Concern, or is let to such Person or Company so that the Lessee is bound to maintain and deliver over the same in good condition:— *Value of Machinery or Plant* £____________ *Amount claimed for Wear and Tear* £____________	Amount of Rent paid for the use of the Machinery or Plant where the burden of maintaining and restoring the same falls upon the Lessor (in which case no deduction for diminished value by reason of Wear and Tear is allowable to the Lessee, but is claimable by the Lessor):— *Amount* ____________

STATEMENT OF INCOME

Page 3.

FOR ASSESSMENT UNDER SCHEDULE D.

If you have no Income falling under any of the following heads, or if, though you have such Income the Income Tax has been deducted from the whole of it before it reaches you, you should enter the word NIL in the Money Column below, and sign the General Declaration at the foot hereof.

		AMOUNT. £
(i) Profits of Trade, Profession, Employment, or Vocation, viz.:—from		
To be computed according to the full average Profits of the three years 1902, 1903, and 1904 except where the Trade, &c., has been set up within that period (see note on the accompanying memorandum of explanations and instructions).	The **Trade or Business of** ______ carried on by (a) ______ at ______	
	The **Profession** of ______ exercised by me at ______	
	The **Employment** or Vocation of ______ exercised or carried on by me at ______	
(ii) Profits from Discounts, and from Interest of Money not taxed by Deduction—		
To be computed according to the full amount arising therefrom in the year 1904.	**Profits from Discounts**........	
	Interest of Money (including Interest on Banking Account or Deposits) the Duty on which is not deducted by the party paying such Interest	
	Dividends in the Public Funds, of which the Half-yearly Amount is less than Fifty Shillings, where such Dividends are not payable upon Coupons annexed to Stock Certificates payable to bearer	
(iii) Profits from Colonial and Foreign Securities, *where the Duty is not deducted by the Agent entrusted with the payment thereof—*		
To be computed according to the full amount received or to be received in the United Kingdom in the current year without any deduction.	Interest of Money, Annuities or other Annual Payments arising from **Railways out of the United Kingdom**	
	Interest of Money, Annuities or other Annual Payments derived from **Property out of the United Kingdom, other than Railways**	
	Interest or Dividends on Investments in Securities of Indian or Colonial Governments or Companies	
	Interest or Dividends on Investments in Foreign Securities	
(iv) Profits from Colonial and Foreign Possessions—		
To be computed according to the full amount received in the United Kingdom on the average of the three years 1902, 1903, and 1904.	**Possessions** in any of His Majesty's Dominions, out of the United Kingdom	
	Possessions in Foreign Countries	
(v) Property or Profits not coming under any of the foregoing heads, including profits from letting Furnished Houses—		
To be computed, if certain in amount, on the Profits of the year 1904. If uncertain, on an average of years.	(b) ______ and the Amount thereof is computed according to (c)	
	TOTAL........£	
LESS	Premium for Life Insurance as set out on page 2 (E), and **not** deducted in arriving at the above figures .... £........	
	Wear and Tear of Machinery or Plant as set out on page 2 (F), and **not** deducted in arriving at the above figures .... £........	
	Net £	

(a) In the case of a Company insert name of Company, and whether Limited, Incorporated, or otherwise.
(b) State the nature thereof. (c) State the grounds of computation, and whether on an average or not.

GENERAL DECLARATION.

I hereby declare that in the foregoing Statement I have given a full and complete Return of the whole of my Income chargeable under Schedule D of the Income Tax Acts, estimated according to the best of my judgment and belief, according to the directions and rules of the said Acts, *and I desire to be assessed by the** ______

Given under my hand, this ______ day of ______ 1907.

Signed ______

Business Address ______

Residence ______

NOTE.—When the Return is made by a Lady, she must state after her Signature whether *Married*, *Widow* or *Spinster*, as the case may be.

State whether the Return is made—
1. On your own behalf;
2. As the Trustee, Agent, Receiver, or Factor, and for whom;
or, 3. As the Officer of any Corporation or Company.

* If you elect to be assessed by the Commissioners for the District under a Number or Letter, the Return is to be sent to the Clerk to Commissioners; if by Special Commissioners, the Return is to be sent to the Surveyor of Taxes under cover endorsed "For Special Assessment." If you do not make any election, the Return should be sent to me and you will be assessed by the Commissioners for the District in the ordinary course in your own Name. But in every case you should fill in the above "Statement of Income" before transmitting the Return form.

Page 4

CLAIM OF EXEMPTION OR ABATEMENT.

Exemption may be claimed when the Income from all sources does not exceed £160 per annum.
Abatement of Duty on £160 may be claimed when the Income exceeds £160, but does not exceed £400.
Abatement of Duty on £150 may be claimed when the Income exceeds £400 but does not exceed £500.
Abatement of Duty on £120 may be claimed when the Income exceeds £500 but does not exceed £600.
Abatement of Duty on £70 may be claimed when the Income exceeds £600, but does not exceed £700.

The Claimant must set forth every source whence the Income is derived, with the amount derived from each source.

Where Income is derived from Trade, Profession, Office, Employment, or Vocation, state the nature and particulars thereof, and where carried on.

If the Income arises from the ownership of Land, Tenements, or Hereditaments, state the Parish or Place and County, and the Street Address, if any, where each Property is situate, with the rent or annual value, and name or names of the occupier, including in the Statement the particulars of any House, Land, or other Property in the Claimant's own occupation, whether belonging to himself or his wife. If ground rent, mortgage interest, or other annual charge is payable on any of the property, particulars thereof must be stated in No. 2 below.

In the case of Income from Annuities, Interest of Money, or other sources not coming under either of the foregoing heads, state fully the particulars.

Profits from the occupation of Land are to be estimated at one-third of the full amount of Rent and Tithe.

NOTE.—The Income of a Married Woman living with her Husband is deemed by the Income Tax Acts to be his Income, and particulars thereof must be included in any statement of income rendered by him for the purposes of a claim to Exemption or Abatement. The only exception to this rule is where a Wife earns an income independently of her Husband by the exercise of her own personal labour, **and** the joint income of Husband and Wife does not exceed £500. In such a case the profit so earned by the Wife may be treated as a separate income, and a separate claim of Exemption or abatement may be made in respect thereof.

No. 1.—Particulars of Income from every source whatsoever, whether Taxed or not.

	£	s	d
From Trade, Profession, Office, Employment, or Vocation, viz.:—			
From Lands, Tenements, Hereditaments, Tithes, or other Property of which I am the owner (including the Annual Value of the Property which I own and occupy), viz.:—			
From the Occupation of Land, viz.: One-third of the Aggregate Rent or Annual Value including Tithe.			
From Annuities, Interest, Dividends, or other Income of any description (state whether or not subjected to tax before receipt), viz.:—			
Total Amount of Income *from all sources*..£			

No. 2.—Particulars of any deductions from Income, such as Ground Rent, Mortgage Interest, or other Annual Charge (if any). **If there be none, state "None."**

Nature of the Charge.	Name and Residence of Person to whom payable	Annual Amount thereof £ s d
Ground Rent		
Mortgage £ at per cent.		
Other Annual Charge......		

Total Deductions..£

Total Amount of Income *from all sources* after Deductions..£

I declare that the above Statement contains a full, just, and true account and return of the *whole of my Income from every source whatsoever*, for the year ending the 5th day of April 1906, and I therefore claim the relief to which I am entitled in respect of such Income.

Given under my hand, this day of 1907.

Signed

(Private) Residence

I hereby certify that the Claimant appears to be entitled to Exemption (or) an Abatement of £

Surveyor of Taxes

District

Date

NOTE.—When the claim is made by a **Lady**, she must **state** after her Signature whether *Married, Widow* or *Spinster*, as the case may be.

No 11.—1.

GENERAL EXPLANATIONS AND INSTRUCTIONS IN REGARD TO THE INCOME TAX FORM OF RETURN, No. 11.

(1). Persons liable to Assessment to Income Tax.

All persons resident in the United Kingdom, whether subjects of His Majesty or not, are liable to Assessment; and also all persons not resident within the United Kingdom (whether subjects of His Majesty or not) in so far as they derive Income from property, trade, or employment in the United Kingdom.

(2). Income to be entered on Form No. 11.

INCOME TO BE ENTERED.

(i.) Profits of Trade, Profession, Employment, or Vocation. (See No. 5 below)

(ii.) Profits from Discounts and Interest of Money not taxed by deduction.

(iii.) Profits from Colonial and Foreign Securities where the duty is not deducted by the agent entrusted with the payment thereof.

(iv.) Profits from Colonial and Foreign possessions.

(v.) Property or Profits not coming under any of the foregoing heads, or of those enumerated below.

INCOME NOT TO BE ENTERED.

Income falling under any of the following heads should not be entered on page 3 of Form 11, viz.:—

(*a*) Income arising within the United Kingdom from the ownership of Land, Houses or Buildings, or from the occupation of Land,

(*b*) Income derived from the salary or emoluments of any office or employment in the public service, or under any public body (corporate or not corporate), or from any annuity, pension, or stipend payable out of public revenues of the United Kingdom.

(*c*) Income arising within the United Kingdom from the profits, rents, or annual value of Quarries, Mines, Iron Works, Gas Works, Salt Springs or Works, Alum Mines or Works, Water Works, Streams of Water, Canals, Inland Navigations, Docks, Drains and Levels, Fishings, Rights of Markets and Fairs, Tolls, Bridges, Ferries, Cemeteries, and other concerns of the like nature.

[If any person receives Income under this head, application should be made to the Assessor for a separate Form of Return (No. 11B) unless one has already been supplied.]

(*d*) Income from which Tax has been deducted upon payment to the recipient.

The following are the classes of Income upon which Tax is commonly deducted before the Income reaches the recipient, viz.: Income from the Public Funds, from Loans to Corporations or to Colonial and Foreign Governments, from Interest on Mortgage of property in the United Kingdom, and from Dividends paid out of the profits of Companies carrying on business in the United Kingdom.

(3). Nil Return.

Any person having no Income except such as falls under one or more of the above heads (*a*), (*b*), (*c*), (*d*), should enter the word "Nil" in the money column of the Statement of Income on page 3, sign the Declaration at the foot thereof, and return the Form to the Assessor.

(4). Income of Married Women.

The Income of a married woman living with her husband is, by the Income Tax Acts, deemed to be the husband's Income, and should be returned by the husband on Form No. 11. But under certain circumstances, which are fully set out in a note on page 4 of that Form, the Income of a wife may be treated as a separate Income for the purpose of claiming exemption or abatement.

(5). Income from Business, Profession or Employment.

Where Income is derived from the exercise of any profession or business, attention is particularly directed to the fact that the amount of Income to be returned for assessment in any given year is neither the actual Income of that year, nor the Income which a person expects to make in that year, but is a "statutory" Income, of which the amount is to be computed from actual ascertained figures. These are the figures shown by the accounts of the business or profession for the three years immediately preceding the year for which a return has to be made, and the computation from them is to be made according to prescribed rules, of which the following is an abstract:—

RULES AND REGULATIONS FOR CALCULATING PROFITS FROM TRADES, PROFESSIONS, EMPLOYMENTS, OR VOCATIONS.

The Tax extends to the Profits of all Trades, &c., carried on or exercised in the United Kingdom by any person whatsoever, whether a subject of His Majesty or not, and wheresoever residing; and also to the Profits of Trades carried on or exercised elsewhere than in the United Kingdom, if carried on or exercised by Persons residing in the United Kingdom.

The amount of Profits is to be computed on an average of the Three preceding Years, ending either on the 5th day of April 1905, or on the date prior thereto to which the Annual Accounts have been usually made up;

Or, if the Trade, &c., has been set up or commenced within three years, on an average from the period of commencing the same;

Or, if commenced within the year of Assessment, the Profits are to be estimated according to the best of your knowledge and belief, and the grounds on which the amount shall have been estimated should be stated for the information of the Commissioners

In computing the Profits upon which the average is to be taken Deductions are allowed—

For Repairs of Premises occupied for the purpose of the Trade, &c., and for the Supply or Repair of Implements, Utensils, or Articles employed, not exceeding the sum usually expended for such purposes according to the average of the three years preceding.

,, Debts proved to be bad; also for Doubtful Debts according to their Estimated Value

,, the Rent of premises used *solely* for the purposes of business, and not as a place of residence.

,, a proportion, not exceeding two-thirds, of the Rent of any dwelling house *partly* used for the purposes of business.

,, the Annual Value of any premises occupied by the Owner *solely* for the purposes of business, and not as a place of residence, according to the amount on which duty has been paid under Schedule A.

,, a proportion, not exceeding two-thirds, of the Annual Value (according to the amount on which Duty has been paid under Schedule A.), of any dwelling house occupied by the Owner and *partly* used for the purposes of business.

,, any other disbursements or expenses wholly and exclusively laid out for the purposes of the Trade, &c.

No Deductions are allowed—

For any Interest on Capital, or for any Annual Interest or any Annuity or other Annual Payment, payable out of the Profits or Gains. (The duty on such Interest or Annual Payment should be deducted from the Person to whom the payment is made).

,, any Sums paid as Salaries to Partners.

,, any Sums invested or employed as Capital in the Trade or Business, or on account of Capital withdrawn therefrom.

,, any Sums expended in Improvement of Premises, or written off for Depreciation of Land, Buildings, or Leases.

,, any Loss not connected with, or arising out of the Trade, &c.

,, any Expenses of Maintenance of the Persons assessable, their Families, or Private Establishments.

,, any Loss recoverable under an Insurance or Contract of Indemnity.

,, any sum Paid as Income Tax on Profits or Gains, or on the Annual Value of Trade Premises.

,, any Premium for Life Insurance, or for Wear and Tear of Machinery or Plant; but Allowances may be claimed in respect of these items, *see page* 2 of the Form No. 11 (Special Declarations and Claims, E and F).

6). Exemption and Abatement.

Where the Income of a person *from all sources* does not exceed £160, such person is exempt from Income Tax. Where the Income of a person *from all sources* does not exceed £700, abatement can be claimed according to a graduated scale (see page 4).

Persons entitled to claim either exemption or abatement, *in respect of Income entered in Form No* 11, should enter the necessary particulars of their total Income on page 4 of the Form (including the amount entered on page 3), and should sign the Declaration at the foot of that page.

(7.) Mode of Assessment.

Persons assessable to Income Tax under Schedule D may elect to be assessed either by the Commissioners of their District under a number or letter, or by the Special Commissioners of Income Tax. In the absence of election, they will be assessed in the usual course by the Commissioners of their District,

Persons who desire to elect one of the two alternatives named above should give notice to that effect in the manner provided for on page 3 of the Form No. 11, and should proceed as there directed.

APPEALS.

If notice of an appeal be given, the party assessed must attend before the Commissioners at to do, the books from which they were compiled) his appeal. He cannot be compelled to produce either books or accounts upon such an occasion, but unless he produces proper accounts (and, if called upon so to do, the books from which they were compiled) his appeal is not likely to be granted. It is usual for the evidence that will be submitted to the Commissioners to be first submitted to the Surveyor, and such a course facilitates matters from both points of view, as it may remove all necessity for the appellant to appear before the Commissioners. It is desirable that the Surveyor should be consulted as to the form which he wishes the accounts to take. Most Surveyors prefer to have submitted to them copies of the last three years' Profit and Loss Accounts exactly as they have been compiled for the purposes of the business, along with three supplementary accounts adding to the net profits shown by the previous ones those items which are not allowed as deductions for Income Tax purposes, and deducting those items upon which tax has already been paid, thus arriving at a corrected figure. Some Surveyors, on the other hand, prefer to have placed before them, in the form of a simple Profit and Loss Account, a statement showing on the one hand all sources of taxable income, and upon the other all deductions that may be properly made therefrom, in order to arrive at the profits assessable. The ultimate result is, of course, the same in every case, but it is desirable to prepare the accounts in the form preferred by each individual Surveyor. The following examples will show clearly how both forms should be prepared. Only one year's figures are given here. In practice, it is convenient to place the three years' figures in separate columns upon the same sheet, as this not only saves time, but also enables the figures to be more readily compared.

EXAMPLE:

(A)

Dr. PROFIT AND LOSS ACCOUNT, for the Year ended 31st December 1906. *Cr.*

	£	s	d		£	s	d
To Rent	120	0	0	By Gross Profit	3,500	0	0
" Rates, Taxes, and Insurance	55	0	0	" Discounts	150	0	0
" Bank Interest and Charges	80	0	0	" Dividends from Public Companies	120	0	0
" Depreciation	120	0	0				
" Interest on Mortgage	80	0	0				
" Income Tax	100	0	0				
" Interest on Capital	215	0	0				
" Balance, being Net Profit	3,000	0	0				
	£3,770	0	0		£3,770	0	0

	£	s	d		£	s	d
To Dividends from Public Companies (already taxed at source)	120	0	0	By Net Profit, as above	3,000	0	0
" Annual Value of Premises used solely for business purposes	225	0	0	" Rent	120	0	0
" Profits Assessable for Income Tax (subject to such allowance as the Surveyor may, in his discretion, make for wear and tear of Plant and Machinery)	3,290	0	0	" Depreciation	120	0	0
				" Interest on Mortgage	80	6	0
				" Income Tax	100	0	0
				" Interest on Capital	215	0	0
	£3,635	0	0		£3,635	0	0

(B)

Dr. STATEMENT OF PROFITS FOR ASSESSMENT FOR INCOME TAX, for the Year ended 31st December 1906. *Cr.*

	£	s	d		£	s	d
To Annual Value of Premises used solely for business purposes	225	0	0	By Gross Profit	3,500	0	0
" Rates, Taxes, and Insurance	55	0	0	" Discounts	150	0	0
" Bank Interest and Charges	80	0	0				
" Balance, being Profits Assessable (subject to allowance for wear and tear, as in "Example A")	3,290	0	0				
	£3,650	0	0		£3,650	0	0

REPAYMENTS OF TAX.

Applications for repayment of tax overpaid will arise not merely when there has been an unexpected falling off in profits, but also when (*inter alia*), through an oversight, the applicant has omitted to claim deduction for life insurance premiums, or an abatement on the ground that his income from all sources amounts to less than £700 per annum. It need hardly be stated that it is always desirable that these deductions should be made upon the return where possible. If, however, the life insurance policy has been taken out since the return was made, an application for repayment is clearly the only remedy open to the taxpayer. The application is considered in due course by the Surveyor, who will call for such evidence in support of the facts therein stated as he may consider proper; and, if the claim be allowed, the applicant will in due course receive a money order for the amount of tax overpaid direct from the Inland Revenue authorities at Somerset House. Accompanying the money order will be a form to be used by him for any similar application he may have to make at the close of the next year, such subsequent application having to be made direct to Somerset House. This practice is especially convenient to those who receive all, or the bulk of, their income from various sources with the Income Tax deducted, as it is then only by application for repayment that they are able to obtain the benefit of deductions for life assurance, or of such abatements as they may be entitled to in the case of small incomes.

It has already been stated that Income Tax is assessed in advance, and (frequently) also paid somewhat in advance. If, at the end of the current financial year, it be found that the amount upon which tax has been paid exceeds the assessable profits for the past three years, *including the year of assessment*, and also the assessable profits for this last year, the difference between the Tax and the *larger* of these two latter figures and the amount of Tax actually paid may be recovered on application to the proper authorities. In the case of a declining business, therefore, a corrected return should always be prepared upon these lines, with a view to ascertaining whether it is not possible to obtain repayment of Tax overpaid. Thus, in the case of a concern which for the year 1906-7 paid Income Tax on the average profits for the three years ended 30th September 1905, if on the preparation of the accounts for the year ended 30th September 1906 it should be found that the assessable profits for that year, and also the average profits for the three years ended 30th September 1906 are less than the amount upon which Tax was paid for the year ended 5th April 1907, then application may be made for the repayment of the difference between the Tax on the larger of these two figures, and the tax actually paid. The actual working of this principle (which is comprised in Section 133 of the Income Tax Act, 1842) is clearly shown in the following

PROBLEM.—In the month of June 1902 A. B. & Co. made a return of profit for Income Tax assessment, under Schedule D, for the year ending 5th April 1903. The amount was £9,000, being the average of the three years ended 31st December 1901, namely:—1899, £9,000; 1900, £10,000; and 1901, £8,000. The assessment was duly made, and the tax on £9,000 paid in January 1903. Some months later, when the accounts for the year 1902 were made up, the taxable profit for that year was ascertained to be £6,900. State what adjustment and relief A. B. & Co. are entitled to, and how such relief is to be obtained; also state what difference it would have made in the amount of the relief if the profits of the three years ended 31st December 1901 had been: for 1899, £13,800; 1900, £6,200; 1901, £7,000.

Under Section 133 of the Income Tax Act, 1842, on A. B. & Co.'s proving to the satisfaction of the Commissioners by whom the assessment was made that their profits and gains for 1902 were as stated, the Commissioners would have it in their power to cause the assessment to be amended, and to certify under their hands to the Commissioners for Special

Purposes at the chief office of Inland Revenue in England the amount of the sum overpaid upon such first assessment. Such last-mentioned Commissioners would then issue an order, directed to the Receiver-General of Stamps and Taxes, or to an officer for the receipt and collection of the duties granted under the Income Tax Act of 1842, or to a distributor or a sub-distributor of stamps, for the repayment of the sum overpaid

On the production of such order the sum overpaid would be repaid, and a receipt therefor endorsed by A. B. & Co., on the order.

In order to ascertain the amount to be refunded, attention should (theoretically) be paid to Section 6 of 28 & 29 Vict., c. 30, which provides that no reduction or repayment is to be made unless the profits of the year of assessment are proved to be less than the profits for one year on the average of the last three years, including the year of assessment; nor shall any such relief extend to any greater amount than the difference between the sum on which the assessment has been made, and such average profits for one year as aforesaid. For many years past, however, the practice (as stated on the preceding page) has been to allow relief to the extent of the difference between the tax on the *greater* of these two figures and the tax actually paid.

Thus in the first case cited in the above problem, the tax has been paid on the average for the years 1899-1901 = £9,000.

The revised average for the three years 1900-1902 is £8,300.

The actual profits for the year 1902 are £6,900.

Here the revised average is higher than the profits for the last year, and must therefore be taken as the basis for the corrected assessment. A. B. & Co. are therefore entitled to a return of the tax on £700 (£9,000 – £8,300), which at 1s. 3d. in the £ amounts to £43 15s. 0d.

In the second case the position is as follows:—

Tax has been paid on the average for the years 1899-1901 = £9,000.

The revised average for the years 1900-1902 = £6,700.

The actual profits for the year 1902 are £6,900.

Here the profit for the past year exceeds the revised average profits, and therefore, on a strict reading of Section 6, A. B. & Co. would be entitled to no relief. In practice, however, they will be held to be entitled to relief to the extent of £2,100 (£9,000 – £6,900), which at 1s. 3d. in the £ amounts to £131 5s. 0d.

Forms upon which application for repayment of tax must be made should be obtained from the Surveyor in whose district the applicant *resides;* but as they cannot be very readily obtained by the public, copies of two of the more representative forms at present in use are reproduced on the following pages.

EXAMPLE (A): (TRUSTEES, &c.)

THIS FORM is to be used by a Trustee who claims Repayment of Income Tax for the FIRST time. When filled up it should be sent to the Surveyor of Taxes for the District in which the Claimant resides. The Name and Address of the Surveyor may be obtained from the Local Collector of Taxes.

Where Repayment is NOT claimed for the first time, the Form sent with the last order of repayment should be used, but if it has been lost or mislaid, application should be made to the Secretary of Inland Revenue (Claims' Branch), Somerset House, London, W.C., for another Form. In making the application, the date when the last Repayment was obtained should be stated, and, if possible, the official number of the Order.

No. 44. Trustees, &c. INCOME TAX.—EXEMPTION CLAIM, 1 -1 . INCOME NOT EXCEEDING £160. Registered No. of Claim.

N.B.—*A Trustee can claim only for Minors, a Person Incapacitated, or a Married Woman permanently separated from Her Husband.*

1. Here state name or names of person or persons for whom Claim is made.
2. State whether Minor (see questions on back of Form), Person incapacitat'd or Married Woman permanently separated from her husband.
3. State whether Trustee, Agent, &c.
4. Describe Deed or Will under which Trust created or otherwise.
5. State FULL address of office.

I declare that the following is a true account of the Income from EVERY SOURCE for the year ending 5th April, 1 , *of*[1] .... *who*[2] .... *and for whom I am*[3] .... *under*[4] .... and I therefore claim to be repaid the sum of £ : : at the Money Order Office at[5] ....

CLAIMANT'S SIGNATURE *at full length.* ....

N.B.—A Lady must state, after Signature, whether Widow or Spinster.

CLAIMANT'S Full Postal Address ....*Date*.. 190 .

Order No.

B (Trustees)—Allowed for

£	s.	d.	to

This Space MUST NOT be filled up by the Claimant.

Particulars of the TOTAL INCOME of the Person on whose behalf the claim is made, from EVERY SOURCE WHETHER TAXED OR NOT, for the Year from 6th April 1 , to 5th of April 1 .

No. 1. Income derived from Dividends on Stock inscribed in the books of the Bank of England or from English Government Annuities. (For these no Certificate of Deduction is required.)

Name or Description of Stock or Annuity & whether the Dividends are paid by post or through Bankers	Name or Names (in due order) in which the Stock stands. If in Chancery, the correct Title of the Suit (which appears at the head of each Draft issued by the Chancery Pay or Accountant-General's Office) should be given instead. Claimants should take a note of the Title of the Cause when each Draft is received, also whether in English or Irish Funds.	Amount thereof, and if part of larger sum, state also larger sum	Month and Year when Dividend or Annuity due from which deduction made	Annual Amount of Income from each source	Amount of Income Tax paid on, or deducted from each source of Income
		£ s d		£ s d	£ s d

No. 2. Income NOT DERIVED from any of the sources referred to in No. 1. (Collectors' Receipts or Certificates required as per Instructions on the back hereof, except for British, Irish, Colonial or Indian Government Pay or Pension).

Total Amount of Income from all sources and Income Tax thereon .. £

No. 3. Particulars of DEDUCTIONS FROM INCOME, such as GROUND RENT, INTEREST, &c. If there be none state "None." (See note 13 on back of this Form.)

	Annual Amount
	£ s d

Total Deductions and Income Tax thereon .. £

Total Amount of Income from all sources after Deductions, and of Income Tax claimed to be returned .. .. £

Having examined the preceding Claim, I certify that the Claimant appears to be entitled to exemption from Income Tax, and to be repaid the sum of £ : :

Given under my hand, this day of 190 .

District.. ....*Surveyor.*

WE CERTIFY that the claimant named on the other side, having proved to our satisfaction that the whole of the Income of the person on whose behalf the claim is made, estimated according to the Acts for granting Duties on Profits arising from Property, Professions, Trades, and Offices, does not exceed the Sum of One Hundred and Sixty Pounds per annum, is entitled to exemption from Income Tax.

Given under our hands, this day of 190 ______ } *Commissioners for General Purposes.*

INSTRUCTIONS.

1. *When the claim is on behalf of a Minor or Minors, the following Questions must be answered and signed by the Trustee:—*

QUESTIONS.	ANSWERS.
a. Has the Minor, or have the Minors, a vested, *i.e.*, an absolute Interest in the property, or only a contingent Interest, *i.e.*, depending on the occurrence of some specific event? If the latter, particulars of the contingency should be stated.	
b. Is the Income expended for Education or for Maintenance? If the Interest be contingent, the sum expended must be stated, and the claim restricted to the tax on that sum.	

Signature of Trustee } ______

2. No claim for Repayment of Income Tax on the ground that the Income from all sources does not exceed £160 a year can be allowed, unless it be made within three years after the end of the year of Assessment to which the claim relates. 10th Sec., 23rd Vic. cap. 14.

3. The Penalty for fraudulently concealing or untruly declaring the Income is £20 and treble the duty chargeable.

4. In filling up the form on the other side, the Claimant must set forth fully in Divisions Nos. 1 and 2 every source of Income whether taxed or not, with the amount derived from each source. The Income of a Married Woman living with her Husband is deemed by the Income Tax Acts to be his Income (notwithstanding any Settlement or the provisions contained in the Married Women's Property Act, 1882), and the particulars thereof must be included in the Husband's claim. Where, however, the total joint Income of a Husband and Wife does not exceed £500, and such total Income includes profits of the Wife from any business carried on or exercised by means of her own personal labour, and the rest of the total Income or any part thereof arises or accrues from profits of a business carried on or exercised by means of the Husband's own personal labour, and unconnected with the business of the Wife, the profits of the Wife may (under the Act 60 & 61 Vict. cap. 24) be treated as a separate Income, and a separate claim may be made in respect thereof. Any Income of the Husband, however, arising or accruing from the business of his Wife or from any source connected therewith must be regarded as part of the Income of the Wife.

5. **If the Income be** from Lands, Tenements, or Hereditaments, state the precise situation of each property, with the name of the occupier, and the amount of the annual rent or value, and who bears the cost of repairs. If the person on whose behalf the claim is made resides in his own house, the Annual Value thereof must be entered in Division No. 2. Receipts by the Local Collector of Income Tax should be attached to the claim.

6. Profits from the occupation of land are to be estimated at one-third of the full amount of rent and tithe.

7. If the Income be from the Public Funds, English Government Annuities, Dividends on Colonial or Corporation Stocks inscribed in the books of, and payable by, the Bank of England, the directions in Division No. 1 must be complied with; and no vouchers are required for these items.

8. If from an Office, state the name of the Office.

9. If from Trade, Profession, or Employment, state the nature thereof, where carried on, and the particulars of the assessment.

10. If from Dividends or Interest arising from Money invested in any Stock, Shares, or otherwise (except in the Stock of the Bank of England and those mentioned in No. 7), Certificates must be attached showing the amount of Dividends or Interest applicable to the period for which the claim is made.

11. If from Annuities, Interest of Money, or other property not coming under any of the foregoing heads, state fully the particulars, including the name and address of the person by whom paid. Certificates, signed by the persons who deducted the Income Tax, must be securely attached to the claim.

12. When the Certificates are not in the name of the Claimant, it should be stated whether the person or persons named are Trustees, or otherwise.

13. If the Income be subject to deduction in respect of Ground Rent, Interest, Annuity, or other Annual Charge, the particulars thereof must be set forth in Division No. 3, so as to show the amount of Annual Payment or Payments charged upon the Income, whereby the same is diminished. The Income Tax on any such charges relating to the property on which repayment is sought must be deducted from the claim, being recoverable from the persons to whom such charges are paid. **If there be none, state "None."**

14. A Claim may be made as soon as the Income of the year has been received, but only one Claim should be made for each year.

EXAMPLE (B):

For instructions see next page.

Very great care should be taken of this Form, as the issue of a Duplicate gives considerable trouble.

Keep this Form and the Printed Envelope for your next Claim.

When making the Claim, fill up the Form and send it in the Envelope to the Secretary, Claims Branch, Inland Revenue, Somerset House, London, W.C. Only last year's tax, if due, may be claimed on this Form.

A Claim may be made as soon as the year's Income has been received.

Registered No. of Claim.

INCOME TAX.—ABATEMENT CLAIM.

When the Income exceeds £160, but does not exceed £400, an Abatement of £160 may be claimed.
When the Income exceeds £400, but does not exceed £500, an Abatement of £150 may be claimed.
When the Income exceeds £500, but does not exceed £600, an Abatement of £120 may be claimed.
When the Income exceeds £600, but does not exceed £700, an Abatement of £70 may be claimed.

Last Repayment to April, 1 , by P....................................

Note.—In communicating with this Office the Registered Number in the right-hand top corner should be quoted.

I declare that the following is a true account of my Income from *every source* for the year ending 5th April, 1 , and I therefore claim to be repaid the sum of £ ,, ,, at the Money Order Office at*..............................

* State FULL Address of Office.

Order No.

A—Allowed for £ s d to April, 190 .

These Spaces to be left blank.

CLAIMANT'S SIGNATURE at full length ....

N.B.—A Lady must state, after Signature, whether Widow or Spinster.

CLAIMANT'S Exact Address ....
....
....Date.........................., 190..

PARTICULARS of my TOTAL INCOME from EVERY SOURCE, WHETHER TAXED OR NOT, for the Year from 6th April, 1 , to 5th of April, 1 .

No. 1. Income derived from Dividends on Stocks inscribed in the books of the Bank of England or from English Government Annuities. (For these no Certificate of Deduction is required.)

Name of the Stock or Annuity, and if the Dividends are paid by Post or through Bankers.	Name or Names (in due order) in which the Stock or Annuity stands If in Chancery, the correct Title of the Cause or Matter must be given	Amount thereof, and if part of larger Sum, state also larger Sum	Month and Year when Dividend or Annuity due from which deduction made	Annual Amount of Income *from each source*	Amount of Income Tax paid on or deducted from each source of Income
		£ s d		£ s d	£ s d

No. 2. Income NOT DERIVED from any of the sources referred to in No. 1. (Collectors' Receipts or Certificates required as per Instructions on the back hereof, except for English and Indian Government Pay and Pension.)

Total Amount of Income from all sources and Income Tax thereon..£

No. 3. Particulars of DEDUCTIONS FROM INCOME such as GROUND RENT, MORTGAGE INTEREST, &c. *If there be none, say "None."* (See last note on back of this Form.)

	Annual Amount
	£ s d

Total Deductions and Income Tax thereon....£

Total Amount of Income from all sources after Deductions, and of Income Tax paid.............£

IF THE SPACES BE FOUND INSUFFICIENT the Details may be written upon a sheet of paper, but the TOTALS must always be entered in this form.

INSTRUCTIONS.

1. No claim for Repayment of Income Tax can be allowed, unless it be made within three years after the end of the year of Assessment to which the claim relates. 10th Sec., 23rd Vic., Cap. 14.

2. The Penalty for fraudulently concealing or untruly declaring the Income is £20 and Treble the Duty chargeable.

3. In filling up the Form on the other side, the Claimant must set forth fully in Divisions Nos. 1 and 2 every source of Income, whether taxed or not, with the amount derived from each source. The Income of a Married Woman living with her husband is deemed by the Income Tax Acts to be his Income (notwithstanding any Settlement or the provisions contained in the Married Women's Property Act, 1882), and the particulars thereof must be included in the Husband's claim. Where, however, the total joint Income of a Husband and Wife does not exceed £500, and such total Income includes profits of the Wife from any business carried on or exercised by means of her own personal labour, and the rest of the total Income or any part thereof arises or accrues from profits of a business carried on or exercised by means of the Husband's own personal labour, and unconnected with the business of the Wife, the profits of the Wife may (under the Act 60 and 61 Vict., cap. 24) be treated as a separate Income, and a separate claim may be made in respect thereof. Any Income of the Husband, however, arising or accruing from the business of his Wife or from any source connected therewith must be regarded as part of the Income of the Wife.

4. If the Income be from Lands, Tenements, or Hereditaments, state the precise situation of each property with the name o the occupier, and the amount of the annual rent or value, and who bears the cost of repairs. If the Claimant resides in his own house, the Annual Value thereof must be entered in Division No. 2. Receipts by the Local Collector of Income Tax must be attached to the claim.

5. Profits from the occupation of Land are to be estimated at one-third of the full amount of rent and tithe.

6. If the Income be from the Public Funds, English Government Annuities, Dividends on Colonial or Corporation Stocks inscribed in the books of, and payable by, the Bank of England, the Directions in Division No. 1 must be complied with; and no vouchers are required for these items.

7. If from an Office, state the name of the Office.

8. If from Trade, Profession, or Employment, state the nature thereof, where carried on, and the particulars of the assessment.

9. If from Dividends or Interest arising from Money invested in any Stock, Shares, or otherwise (except in the Stock of the Bank of England or those mentioned in No. 6), Vouchers must be attached, showing the amount of Dividends or Interest applicable to the period for which the claim is made.

10. If from Annuities, Interest of Money, or other property not coming under any of the foregoing heads, state fully the particulars, including the name and address of the person by whom paid. Certificates, signed by the persons who deducted the Income Tax, must be securely attached to the Claim.

11. When the Certificates are in other name or names than that of the Claimant, it should be stated whether the person or persons named are Trustees, or otherwise.

12. If the Income be subject to deduction in respect of Ground Rent, Mortgage Interest, Annuity, or other Annual Charge, the particulars thereof must be set forth in Division No. 3, so as to show the amount of Annual Payment or Payments charged upon the Income, whereby the same is diminished. The Income Tax on any such charges is recoverable from the persons to whom such charges are paid. **If there be none, state "None."**

ADDITIONAL ASSESSMENTS.

Section 63 of the Taxes Management Act, 1880, provides that "where the Surveyor discovers that a person liable to any of the duties has not been assessed in respect thereof in any first or additional first assessment, he may at any time within the year following the year for which such person ought to have been charged charge the person"; but no such charge is to be allowed unless the certificate thereof has been delivered to the General Commissioners within the year following the year of such assessment. Advantage has been taken of this power to rectify losses incurred by the Revenue through the inadvertence or fraud of accounting parties when such inadvertence or fraud has been discovered, and there exists an understanding between the Inland Revenue Department, the Income Tax Department, the Estate Duty Department, and the Registration of Companies Department, which not infrequently enables such additional assessments to be made. It will be noted, however, that under no circumstances can the Surveyor go back further than two years, including the current fiscal year. On the other hand, if proceedings be taken in the High Court for the £50 penalty for making a fraudulent return, the party charged is liable on conviction to pay triple duty, in addition to the amount of such penalty. The present practice of the Department appears to be to "expect" persons who have systematically underpaid taxes to make a reasonable offer in settlement of all amounts unpaid during the past seven years, including the current fiscal year; or, in default of such an offer, to institute proceedings.

In preparing an account to show the aggregate amount of Tax underpaid credit may be taken for Tax overpaid in any one year, and not subsequently recovered, as shown in the following problem: —

PROBLEM.—John and William Rowan traded in partnership as "Rowan Bros." They made returns of profits for Income Tax assessment and were assessed as follows:—

For the year ending 1st April.		Amount returned by them being		They were assessed and tax paid upon		At the rate in the £ of
1901	...	£500	...	£750	...	1/0
1902	...	600	...	800	...	1/2
1903	...	800	...	1,000	...	1/3
1904	...	2,010	...	2,010	...	0/11

Accounts for six years having been required and furnished showed profits for the years ended 31st December as follows: —

1897, £540	...	1899, £1,359	...	1901, £1,944
1898, 855	...	1900, 1,575	...	1902, 2,961

The profits were divisible between the partners (who had no income from any other source) in the proportions of two-thirds and one-third. They occupied their own freehold premises, which were assessed under Schedule A on £150, which amount has been debited before arriving at the above profits.

Set out the figures which you would put before the Surveyor of Taxes, showing the amount which the partners ought to pay to make up the loss to the Government Revenue in consequence of incorrect assessments.

	£ s d	£ s d
Profits for 1897	540 0 0	
" 1898	855 0 0	
" 1899	1,359 0 0	
		2,754 0 0
Average upon which 1900-1 Assessment should be made under Schedule D		918 0 0
Profits for 1898	855 0 0	
" 1899	1,359 0 0	
" 1900	1,575 0 0	
		3,789 0 0
Average upon which 1901-2 Assessment should be made under Schedule D		1,263 0 0
Profits for 1899	1,359 0 0	
" 1900	1,575 0 0	
" 1901	1,944 0 0	
		4,878 0 0
Average upon which 1902-3 Assessment should be made under Schedule D		1,626 0 0
Profits for 1900	1,575 0 0	
" 1901	1,944 0 0	
" 1902	2,961 0 0	
		6,480 0 0
Average upon which 1903-4 Assessment should be made under Schedule D		2,160 0 0

	£ s d	Amount on which Tax has not been paid £ s d	Amount of Tax due. £ s d
Profits for 1900-1..	918 0 0		
Assessment under Schedule A	150 0 0		
	1,068 0 0		
Less Amount on which Tax has been paid—£750+£150	900 0 0		
		168 0 0	
			8 8 0
Profits for 1901-2..	1,263 0 0		
Assessment under Schedule A	150 0 0		
	1,413 0 0		
Less Amount on which Tax has been paid—£800+£150..	950 0 0		
		463 0 0	
			27 0 2
Profits for 1902-3..	1,626 0 0		
Assessment under Schedule A	150 0 0		
	1,776 0 0		
Less Amount on which Tax has been paid—£1,000+£150	1,150 0 0		
		626 0 0	
			39 2 6
Profits for 1903-4..	2,160 0 0		
Assessment under Schedule A	150 0 0		
	2,310 0 0		
Less Amount on which Tax has been paid—£2,010+£150	2,160 0 0		
		150 0 0	
			6 17 6
			£81 8 2

William Rowan can claim abatements as follows:—

In 1900-1	his share was	£356,	therefore he is entitled to an abatement of £160 =	£8 0 0
" 1901-2	" "	471,	" " " " " 150 =	8 15 0
" 1902-3	" "	592,	" " " " " 120 =	7 10 0
" 1903-4	" "	770,	" he can claim no abatement.	
				£24 5 0

Of course, strictly, the Surveyor cannot go back further than the year prior to the current fiscal year, and William Rowan cannot go back more than three years. Under the circumstances, however, the amount underpaid by Rowan Bros. would probably be taken as being £57 3s. 2d., and probably an offer of that sum (or thereabouts) would most likely be accepted.

CHAPTER XIV.

BANKRUPTCY AND INSOLVENCY ACCOUNTS.

THE special points arising in connection with the accounts relating to the estates of insolvent persons have their origin in the statutory requirements made upon persons administering these trusts.

STATEMENTS OF AFFAIRS.

Under normal conditions the object of any system of bookkeeping is to produce, at regular intervals, or whenever required, a statement showing the financial position at that date in the form of a Balance Sheet, and also an account showing—in a summarised form, and classified under convenient headings—the various sources of income, expenditure, or loss, that have contributed to the alteration of the position as contrasted with the previous occasion. The latter account is frequently divided into several sections, which are known collectively as the Profit and Loss Account or Revenue Account.

When an estate is found to be insolvent, somewhat similar accounts are prepared; but, owing to the special circumstances of the case, certain alterations of detail are found to add materially to their value for the purposes for which they are then required. In place of a Balance Sheet, showing upon the one hand the assets and upon the other the liabilities (the excess of the former over the latter being the proprietor's Capital), the statement that is required is one that will afford unsecured creditors some idea of the amount of their claims in the aggregate, and of the net amount of assets available to meet them. Consequently the Balance Sheet form is varied so that all assets pledged as security for liabilities appear, not as assets, but as deductions from the claims of secured creditors. If a creditor be fully secured, the *surplus* value of the asset after liquidating his claim alone appears as an asset; while if a creditor be partially secured, the unsecured balance of his claim alone appears as a liability ranking against the general estate. There are also certain classes of creditors who are by law entitled to be paid in priority to the general body of creditors, and the claims of these are stated separately and deducted from the assets, so that a Statement of Affairs so compiled shows upon the one hand the total unsecured liabilities that are expected to rank against the estate for dividend, and upon the other the net total of "free" assets, which (subject to loss on realisation and costs) is available for distribution among creditors. The excess of the former figure over the latter is the Deficiency which the insolvent person has to account for.

To enable this Deficiency to be accounted for, some modification of the ordinary form of Profit and Loss Account must be provided. This modified account (which is called a "Deficiency Account") differs chiefly from the ordinary Profit and Loss Account in that it starts with an opening balance, representing the amount of surplus assets of the insolvent (or the deficiency of assets, as the case may be) at some previous period. To this surplus are added all sources of profit or gain that increase the total amount that has to be accounted for, while upon the other side are included the

insolvent's personal expenditure, and (under suitable headings) all losses incurred by him, so that the ultimate balance of the account is the Deficiency shown in the Statement of Affairs.

In order to show more clearly the precise difference between the ordinary Balance Sheet and Profit and Loss Account upon the one hand, and the statutory form of Statement of Affairs and Deficiency Account in bankruptcy on the other, the following example is appended:—

PROBLEM.—(*a*) **From the following Trial Balance as on 31st December 1906 prepare Balance Sheet, Trading Account, Profit and Loss Account, and Partners' Capital Accounts:—**

TRIAL BALANCE, 31st December 1901.

A. Capital 1st January 1906		£150
B. " " "		3.000
Sales		6,250
Purchases	£6,100	
Rent	150	
Salaries	450	
General Expenses	750	
Bad Debts	1,250	
Stock-in-Trade 1st January 1906	1,400	
Fixtures	150	
Bills Receivable	100	
Lease of Premises (held by Bank)	700	
Bills Payable		500
Trade Creditors		1,250
Book Debts	500	
Bank (Loan)		1,050
C. for Rent due		75
Salaries due (one month)		48
Cash at Bank	110	
A. Drawings	300	
B. "	363	
	£12,323	£12,323

Stock on 31st December 1906, £1,750. Five per cent. interest to be credited on Partners' Capital Accounts.

(*b*) Assuming that A. and B. begin business on 1st January 1906, draw up front sheet of Statement of Affairs and Deficiency Account in the form provided under the Bankruptcy Acts, allowing for a further liability on Bills discounted estimated to rank for dividend at £2,000.

(A) BALANCE SHEET, 31st December 1906.

Liabilities.		£ s d	£ s d	*Assets.*		£ s d	£ s d
Capital Account:—B.				Lease of Premises		..	700 0 0
Balance, 1st January 1906..		3,000 0 0		Fixtures		..	150 0 0
Interest		150 0 0		Stock-in-Trade		..	1,750 0 0
		3,150 0 0		Bills Receivable		..	100 0 0
Less Drawings	£363 0 0			Book Debts		..	500 0 0
Share of Loss.. ..	1,128 15 0			Cash at Bank		..	110 0 0
		1,491 15 0		Capital Account:—A. (overdrawn).			
			1,658 5 0	Drawings		300 0 0	
Bank Loan..		..	1,050 0 0	Share of Loss		1,128 15 0	
Bills Payable		..	500 0 0			1,428 15 0	
Trade Creditors		..	1,250 0 0	*Less* Credit Balance 1/1/06	£150 0 0		
Sundry Creditors..		..	123 0 0	Interest	7 10 0		
						157 10 0	
							1,271 5 0
			£4,581 5 0				£4,581 0 0

Dr.	TRADING ACOUNT, for the Year ended 31st December 1906.		*Cr.*
	£ s d		£ s d
To Stock: 1st January 1906	1,400 0 0	By Sales	6,250 0 0
" Purchases	6,100 0 0	" Stock: 31st December 1906	1,750 0 0
" Gross Profit, transferred to Profit and Loss Account..	500 0 0		
	£8,000 0 0		£8,000 0 0

Dr.	PROFIT AND LOSS ACCOUNT, for the Year ended 31st December 1906.				*Cr.*
	£ s d	£ s d		£ s d	£ s d
To Rent	150 0 0		By Gross Profit from Trading Account ..	..	500 0 0
" Salaries	450 0 0		" Balance, being Loss for the Year, viz.—		
" General Expenses	750 0 0		A.	1,128 15 0	
" Bad Debts	1,250 0 0		B.	1,128 15 0	
		2,600 0 0			2,257 10 0
" Interest on Capital—A.	7 10 0				
" Ditto B.	150 0 0	157 10 0			
		£2,757 10 0			£2,757 10 0

(*For answer to Problem* (b) *see next page.*)

(B)

THE BANKRUPTCY ACTS, 1883 AND 1890.

STATEMENT OF AFFAIRS.

(1) High Court of Justice or the County Court of .... holden at ....

In the (1) Court of

No. of 1907.

In Bankruptcy.

Re A. and B.

TO THE DEBTOR.—You are required to fill up, carefully and accurately, this Sheet, and the several Sheets A, B, C, D, E, F, G, H, I, J, and K, showing the state of your affairs on the day on which the Receiving Order was made against you, viz., the first day of January 1907.

Such Sheets, when filled up, will constitute your Statement of Affairs, and must be verified by Oath or Declaration.

Gross Liabilities	Liabilities (as stated and estimated by Debtor)		Expected to Rank
£ s d			£ s d
1,750 0 0	Unsecured Creditors, as per list (A)		1,750 0 0
		£ s d	
	Creditors fully secured as per list (B)		
	Estimated value of Securities ..		
	Surplus		
	Less amount thereof carried to Sheet C		
	Balance thereof to *contra* ..		
		£ s d	
1,050 0 0	Creditors partly secured, as per list (C)	1,050 0 0	
	Less estimated value of Securities	810 0 0	
			240 0 0
	Liabilities on bills discounted other than Debtor's own acceptances for value as per list (D), viz.:—		
		£ s d	
	On accommodation bills as drawer, acceptor, or indorser		
	On other bills, as drawer or indorser	2,000 0 0	
		2,000 0 0	
2,000 0 0	Of which it is expected will rank against the estate for dividend		2,000 0 0
	Contingent or other liabilities as per list (E) .. .. £		
	Of which it is expected will rank against the estate for dividend		
		£ s d	
	Creditors for Rent, &c., recoverable by distress as per list (F)...	75 0 0	
	Creditors for Rates, Taxes, Wages, &c., payable in full, as per list (G)	48 0 0	
	Sheriff's Charges payable under Section 11 of the Bankruptcy Act, 1890, estimated at		
123 0 0	Deducted *contra* .. .. .. £	123 0 0	
£4,923 0 0		£	3,990 0 0

Assets (as stated and estimated by Debtor)		Estimated to Produce
		£ s d
Property, as per list (H), viz.:—		
(a) Cash at Bankers (claimed by Bank)		
(b) Cash in hand		
(c) Cash deposited with Solicitor for costs of Petition		
(d) Stock-in-Trade (cost £)		1,750 0 0
(e) Machinery		
(f) Trade Fixtures, Fittings, Utensils, &c... ..		150 0 0
(g) Farming Stock..		
(h) Growing Crops and Tenant Right		
(i) Furniture		
(j) Life Policies		
(k) Other Property, viz.:—		
Total as per list (H)		1,900 0 0
Book Debts, as per list (I), viz.:—		
Good		500 0 0
	£ s d	
Doubtful		
Bad	1,250 0 0	
	1,250 0 0	
Estimated to produce		
Bills of Exchange or other similar Securities, on hand, as per list (J) ..	£100 0 0	
Estimated to produce		100 0 0
Surplus from Securities in the hands of Creditors fully secured (*per contra*)		
		2,500 0 0
Deduct Creditors for distrainable Rent, and for preferential Rates, Taxes, Wages, Sheriff's Charges, &c. (*per contra*)		123 0 0
		2,377 0 0
Deficiency explained in statement (K)		1,613 0 0
		3,990 0 0

I, of

in the County of , make oath and say, that the above Statement and the several lists hereunto annexed, marked A, B, C, D, E, F, G, H, I, J, and K, are to the best of my knowledge and belief a full, true, and complete statement of my affairs on the date of the above-mentioned Receiving Order made against me.

Sworn at..
in the County of ....
this.........*day of* ....190 ....,
before me. ....

Signature..

M

A.—UNSECURED CREDITORS.

The names to be arranged in alphabetical order and numbered consecutively, creditors for £10 and upwards being placed first.

No.	Name	Address and Occupation	Amount of Debt	Date when Contracted		Consideration.
				Month	Year	
			£ s d			
	[Full particulars to	be set out here.]				

NOTE.—The prescribed Form contains the following note :—

(1) When there is a *contra* account against the Creditor less than the amount of his claim against the Estate, the amount of the Creditor's claim and the amount of the *contra* account should be shown in the third column, and the balance only be inserted under the heading " Amount of Debt " thus:—

Total Amount of Claim	.. .. ..	£ : :	
Less Contra account	.. .. ..	£ : :	
			£ : :

No such set-off should be included in Sheet " I."

(2) The particulars of any Bills of Exchange and Promissory Notes held by a Creditor should be inserted immediately below the name and address of such Creditor.

B.—CREDITORS FULLY SECURED.

No.	Name of Creditor	Address and Occupation	Amount of Debt	Date when Contracted		Consideration	Particulars of Security	Date when given	Estimated value of Security	Estimated Surplus from Security
				Month	Year					
			£ s d						£ s d	£ s d

C.—CREDITORS PARTLY SECURED.

No.	Name of Creditor	Address and Occupation	Amount of Debt	Date when Contracted		Consideration	Particulars of Security	Month and Year when given	Estimated value of Security	Balance of Debt Unsecured
				Month	Year					
			£ s d						£ s d	£ s d

D.—LIABILITIES OF DEBTOR ON BILLS DISCOUNTED OTHER THAN HIS OWN ACCEPTANCES FOR VALUE.

No.	Acceptor's Name, Address, and Occupation	Whether liable as Drawer or Indorser	Date when due	Amount		Holder's Name, Address, and Occupation (if known)	Amount expected to rank against Estate for Dividend
				Accommodation Bills	Other Bills		
				£ s d	£ s d		

(NOTE.—Ordinary "Bills Payable" are included in Schedule "A." Only Bills for which the Debtor is liable as DRAWER OR ENDORSER *appear in this Schedule.)*

E.—CONTINGENT OR OTHER LIABILITIES.

[Full particulars of all Liabilities not otherwise Scheduled to be given here].

No.	Name of Creditor or Claimant	Address and Occupation	Amount of Liability of Claim	Date when Liability occurred		Nature of Liability
				Month	Year	
			£ s d			

F.—CREDITORS FOR RENT, &c., RECOVERABLE BY DISTRESS.

No.	Name of Creditor	Address and Occupation	Nature of Claim	Period during which claim accrued due	Date when due	Amount of Claim	Amount recoverable by distress	Difference ranking for Dividend (To be carried to List A)
						£ s d	£ s d	£ s d

G.—PREFERENTIAL CREDITORS FOR RATES, TAXES, AND WAGES.

No.	Name of Creditor	Address and Occupation	Nature of Claim	Period during which Claim accrued due	Date when due	Amount of Claim	Amount payable in full	Difference ranking for Dividend (To be carried to List A)
						£ s d	£ s d	£ s d

H.—PROPERTY.

Full particulars of every description of Property in possession and in reversion as defined by Section 168 of the Bankruptcy Act, 1883, not included in any other List, are to be set forth in this List.

Full Statement and Nature of Property	Estimated to Produce
	£ s d
(a) Cash at Bankers	
(NOTE.—If anything is due to Bankers they have a lien on all moneys in their hands.)	
(b) Cash in Hand	
(c) Cash deposited with Solicitor for Costs of Petition	
(d) Stock-in-Trade at .. .. (Cost £ : :) ..	1,750 0 0
(e) Machinery at	
(f) Trade Fixtures, Fittings, Utensils, &c., at..	150 0 0
(g) Farming Stock at..	
(h) Growing Crops and Tenant Right at	
(i) Household Furniture and Effects at	
(j) Life Policies	
(k) Other Property (*state particulars*), viz :—	
Lease of Premises	700 0 0

NOTE.—In practice a fair realisable value should be placed on all assets. In this example the book-values have been shown to facilitate comparison with the Balance Sheet previously given.

I.—DEBTS DUE TO THE ESTATE.

No.	Name of Debtor	Residence and Occupation	Amount of Debt			Folio of Ledger or other Book where Particulars to be found	When contracted		Estimated to Produce	Particulars of any Securities held for Debt
			Good	Doubtful	Bad		Month	Year		
			£ s d	£ s d	£ s d				£ s d	

NOTE.—The prescribed Form contains the following :—

If any Debtor to the Estate is also a Creditor, *but for a less amount than his indebtedness*, the gross amount due to the Estate and the amount of the *contra* account should be shown in the third column, and the balance only be inserted under the heading "Amount of Debt" thus :—

Due to Estate	£ : :	
Less contra account	£ : :	
		£ : :

No such claim should be included in Sheet "A."

J.—BILLS OF EXCHANGE, PROMISSORY NOTES, &c., AVAILABLE AS ASSETS.

No.	Name of Acceptor of Bill or Note	Address, &c.	Amount of Bill or Note	Date when due	Estimated to Produce	Particulars of any Property held as Security for Payment of Bill or Note
			£ s d		£ s d	

K.—DEFICIENCY ACCOUNT.

	£ s d	£ s d		£ s d	£ s d
Excess of Assets over Liabilities on the (1) first day of January 1906 (if any)	..	3,150 0 0	Excess of Liabilities over Assets on the (1) ......day of................1......(if any)		
Net Profit (if any) arising from carrying on business from the (1)....day of............ 1........, to date of Receiving Order, after deducting usual Trade Expenses			Net Loss (if any) arising from carrying on business from the (1) First day of January 1901, to date of Receiving Order, after deducting from profits the usual trade expenses (*)	..	2,100 0 0
Income or Profit from other sources (if any) since the (1)........day of............1....			Bad Debts (if any) as per Schedule "I" (2)..	..	2,000 0 0
Deficiency as per Statement of Affairs	..	1,613 0 0	Expenses incurred since the (1) First day of January 1901, other than usual Trade Expenses, viz., Household Expenses of selves and (3)	..	663 0 0
			(4) Other Losses and Expenses (if any) ..		
			Surplus as per Statement of Affairs (if any)..		
Total Amount to be accounted for ..	(5) £	4,763 0 0	Total Amount accounted for ..	.. (5) £	4,763 0 0

Each Sheet must be signed and dated by the Debtor, thus—

Signature..

Dated..1................

NOTES.—(1) *This date should be 12 months before date of Receiving Order, or such other time as Official Receiver may have fixed.*

(2) *This Schedule must show when debts were contracted.*

(3) *Add "wife and children" (if any), stating number of latter.*

(4) *Here add particulars of other losses or expenses (if any), including depreciation in the value of stock and effects or other property as estimated for realisation, and liabilities (if any), for which no consideration received.*

(5) *These figures should agree.*

**Interest on Capital has been eliminated. Compare with Profit and Loss Account on page* 158.

PRIVATE ARRANGEMENTS.

It does not, of course, follow that every insolvent person who calls his creditors together has first had a Receiving Order made against him, and become amenable to the bankruptcy laws and regulations. The accounts submitted to private meetings of creditors do not, therefore, come strictly under the foregoing rules, but very much the same class of information will be required by the creditors attending such meetings, and as a rule, therefore, the bankruptcy forms are followed very closely, the only noticeable difference being that "Cash Creditors" are generally shown separately from "Trade Creditors," and full particulars of the Cash Creditors' claims are given, so that it may be readily perceived how much of the claims consists of principal, how much of interest, and to whom the money is owing. It is also usual to append a full list of the Trade Creditors for the information of those interested. On the other hand, as a rule, no

particulars of the assets are given, other than the short particulars appearing upon the summarised Statement of Affairs ("front sheet").

In bankruptcy the filing of a proper Deficiency Account is compulsory, but in the case of private arrangements with creditors it is often not insisted upon. Where given, however, it usually follows the bankruptcy form, save that the sides are transposed so as to follow more closely an ordinary Profit and Loss Account form, in which the losses appear upon the debit and the gains upon the credit side.

TRUSTEES' CASH ACCOUNTS.

Trustees in bankruptcy are required to keep and to periodically file detailed accounts of their receipts and payments. These accounts must be filed in duplicate. One copy is in tabular form, and provides columns for all the principal sources of receipts and classes of payments, while the other consists merely of the total columns of the more detailed account. Examples of both these forms are given below:—

EXAMPLE (A):

ACCOUNTS 2.

RECEIPTS.									PAYMENTS.			
Date	Particulars	Total	Drawn from Bank	Debts Collected	Property Realised	Receipts from Securities held by Creditors	Other Receipts	Date	Particulars.	Voucher Nos. (in red)	Total
		£ s d	£ s d	£ s d	£ s d	£ s d	£ s d				£ s d

Left-hand side.]

PAYMENTS.

Paid into Bank	Costs of Realisation								Allowance to Debtor	Preferential Creditors (Section 40) and Rent	Payments to Redeem Securities	Dividends Paid	Other Payments
	Board of Trade and Court Fees	Law costs of Petition including £5 stamp)	Law Costs after Receiving Order	Commission on Realisation and Distribution: Board of Trade	Commission on Realisation and Distribution: Trustee	Charges of Auctioneer, Accountant, Shorthand Writer, etc., as taxed	Notices in *Gazette* and Local Paper	Incidental Expenses, including Possession					
£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d

[Right-hand side.

EXAMPLE (B): THE BANKRUPTCY ACT, 1883.

Accounts 2 B.

Copy of Estate Cash Book for Filing. } *In the* *Court of* No. of 18

RE

ESTATE CASH BOOK

	Date	Receipts	Total	Drawn from Bank	Date	Payments	Voucher No.	Total	Paid into Bank
			£ s d	£ s d				£ s d	£ s d

TRUSTEE'S TRADING ACCOUNT.

In cases where the Trustee is carrying on the business, he is required to file monthly a Trading Account kept in the prescribed form, which differs from the ordinary Trading Account in that it is merely an account of cash receipts and payments relating to the carrying on of the business. Where a separate Trading Account is kept the *monthly totals only* need be shown in the general Cash Account, instead of the full details being given twice over.

The following is the form prescribed:—

EXAMPLE: THE BANKRUPTCY ACTS, 1883 & 1890.

In the Court of

In Bankruptcy. No. of 19 .

Re

the Trustee of the Property of the Bankrupt in account with the Estate.

Dr.	RECEIPTS.			PAYMENTS.	*Cr.*
Date		£ s d	Date		£ s d

....*Trustee*

Date..19 .

* We have examined this Account with the Vouchers and find the same correct, and we are of opinion the expenditure has been proper.

Dated this day of 19 .

.... } *Committee of Inspection.*

.... } [*Or Member of the Committee of Inspection.*]

....

SUMMARISED ACCOUNT OF RECEIPTS AND PAYMENTS.

When the estate has been completely realised and distributed the Trustee can apply for his release; but before doing so he must forward to each creditor who has proved, and to the debtor, a summarised account of all his receipts and payments in the prescribed form. A similar account has to be forwarded to all creditors each time a dividend is declared. When more than one account is sent out, the second and subsequent accounts do not each begin where the preceding one left off, but each is a complete statement of receipts and payments from the date of the receiving order up to date.

The following example shows the form of account employed:—

*A similar certificate has to be appended to the General Cash Accounts, but it is not printed on the official forms.

EXAMPLE :

THE BANKRUPTCY ACTS, 1883 AND 1890.

In the High Court of Justice,
IN BANKRUPTCY. No. of 19 .

IN THE MATTER of A. C. and B. C. trading as "The C. Company," lately carrying on business at Road and Street, both in the County of London, as the said A. C. residing at Road, in the County of London, and the said B. C. residing at Road, in the County of London.

(Under Receiving Order, dated the day of 19 .)

Dr. STATEMENT, showing position of Estate at date of declaring Third Dividend. *Cr.*

	Estimated to produce per Debtor's Statement	Receipts
To Total Receipts from date of Receiving Order, viz. :—	£ s d	£ s d
Cash in hand..	79 10 4	69 10 4
Cash deposited with Solicitor	10 0 0	10 0 0
Stock-in-Trade	1,200 0 0	} 1,071 5 6
Fixtures and Fittings	25 0 0	
Provident Association Bond	30 0 0	35 11 8
Book Debts and Trading Receipts	2,377 0 0	1,625 8 4
Surplus from Securities ..	87 7 0	20 16 5
Receipts per Trading Account ..		
Other Receipts	..	5 0 0
Total .. £	3,808 17 4	2,837 12 3
Less :—		
Deposit returned to Petitioner		
Payments to Redeem Securities		
Costs of Execution		
Payments per Trading Account	..	223 3 7
Net Realisations ..		£2,614 8 8

	£ s d	Payments
By Board of Trade and Court Fees (including Stamp of £5 on Petition)		£ s d 57 10 3
Law Costs of Petition ..	20 0 6	
Other Law Costs	112 11 6	134 12 0
Trustee's Remuneration as fixed by the Committee of Inspection, viz. :—	£ s d	
5 per cent. on £2,361 12s. 1d. Assets realised	118 1 7	
2½ per cent. on £1,749 8s. 1d. Assets distributed in Dividend ..	43 14 8	161 16 3
Special Manager's Charges		
Person appointed to assist Debtor under Sec. 70 of Bankruptcy Act, 1883		7 7 0
Auctioneer's Charges as taxed		139 5 4
Other Charges		87 10 11
Costs of Possession		
Cost of Notices in *Gazette* and Local Papers		3 9 6
Incidental Outlay		64 7 9
Total Cost of Realisation		655 19 0
Allowance to Debtors ..		34 13 0
Creditors, viz. :—	£ s d	
Preferential	110 19 11	
Unsecured: First Dividend of 4/- in the £ on £6,361 9s. 8d.	1,272 5 10	
2nd Dividend of 1/- in the £ ..	318 1 6	
3rd Dividend now declared of 6d. in the £	159 0 9	
The Debtor's estimate of amount expected to rank for dividend was £5,916 13s. 1d.		1,860 8 0
Balance ..		63 8 8
		£2,614 8 8

By s. 72 (2) of the Bankruptcy Act, 1883, it is provided that "if one-fourth in number or value of Creditors dissent from the resolution, or the bankrupt satisfies the Board of Trade that the remuneration is unnecessarily large, the Board of Trade shall fix the amount of the remuneration."

Assets not yet realised estimated to produce £50.

The outstanding assets consist of Book Debts, owing under hiring Agreements, and are of very doubtful character, and the estimate of £50 must be regarded as approximate only. The debts are payable by small instalments. The balance is reserved to provide the dividends (already declared), upon a claim which is expected to rank, but is not yet proved.

Creditors can obtain any further information by inquiry at the office of the Trustee.

Dated this day of 19 .

X. Z., *Trustee.*

999 Cheapside, London, E.C.

PRIVATE ARRANGEMENTS.

In private arrangements, also, it is usual, every time a dividend is declared, to forward to each creditor an account of receipts and payments upon the same lines as that prescribed in bankruptcy, although in practice the form is frequently departed from in matters of detail.

Section 25, Sub-section (2) (*b*), of the Bankruptcy Act, 1890, provides that every trustee under a private arrangement shall, within thirty days from the 1st January in each year, transmit to the Board of Trade an account of his receipts and payments as such Trustee. The prescribed forms are given below; the accounts must be verified by affidavit. There is no provision for the payment over by the Trustee of unclaimed dividends in the case of private arrangements.

EXAMPLE:

Trustee's Account of Receipts and Payments.

THE BANKRUPTCY ACT, 1890. No.......

IN THE MATTER OF A DEED OF ARRANGEMENT.

Between *and his Creditors.*

Dated the **day of** . 19 . **Registered the** **day of** **19** .

Trustee.

ACCOUNT OF RECEIPTS AND PAYMENTS.

Pursuant to Section 25 of the Bankruptcy Act, 1890.

Receipts				Payments.			
Date	Of whom Received	Nature of Receipt	Amount	Date	To whom Paid	Nature of Payment	Amount
			£ s d				£ s d

***Here set out particulars of any outstanding estate, and the estimated value thereof.**

NOTE.—The outstanding Estate consists of*

EXAMPLE :

Trustee's Trading Account.

THE BANKRUPTCY ACT, 1890.

IN THE MATTER OF A DEED OF ARRANGEMENT dated the day of 19 , and registered the day of 19 .

Between { and , *as Debtor,* , *as Trustee.*

the Trustee of the Property of the Bankrupt, in account with the Estate.

Dr. TRADING ACCOUNT. *Cr.*

Receipts					Payments				
Date		£	s	d	Date		£	s	d

....*Trustee.*

Date..

*To be inserted if the Accounts have been audited by a Committee of Inspection.

*We have examined this Account with the Vouchers, and find the same correct, and we are of opinion the Expenditure has been proper.

Dated this day of 19 . ...

Committee of Inspection [or, *Member of the Committee of Inspection.*]

BANKRUPTCY OF FIRMS.

When a Receiving Order is made against a firm the estates of all the partners pass into bankruptcy, and the Trustee appointed of the joint estate becomes also the Trustee of each of the separate estates. These various estates must be all administered separately, but any surplus that there may be upon any of the separate estates must be handed over to the joint estate and distributed among the joint creditors until such time as they have received 20s. in the £, together with interest at 4 per cent. from the date of the Receiving Order. After this has been done, whatever surplus may remain upon any separate estate is handed back to that particular debtor. If, on the other hand, there should happen to be a surplus on the joint estate, it is divisible among the separate estates in proportion to the respective interests of the partners as though no

Receiving Order had been made; but, of course, the surplus is handed over to the separate estates and applied towards the payment of the separate liabilities, so that no one of the debtors can receive back anything out of either joint or separate estate until the whole of the joint creditors and the whole of the creditors of his separate estate have been paid in full with interest. Partners are not, however, liable for the payment in full of the separate debts of their co-partners.

The forms of account are precisely the same as those already indicated. It should be mentioned, however, that where any separate estate does not produce sufficient to cover costs, it is competent for the Trustee, with the consent of the Committee of Inspection of the joint estate, to pay these costs out of the joint estate, so that to this extent one partner may be indirectly made liable for the costs of administering the estate of a co-partner.

The following example will serve to clearly show the proper treatment when assets belonging to separate estates have been pledged as security for the firm's debts:—

PROBLEM.—(*a*) From the following particulars construct the respective Balance Sheets of the firm of I., C. & A., and of the several partners:—

PARTICULARS *re* I., C. & A., 3rd April 1907.

	£	s	d
Trade Creditors, Joint Estate, unsecured	31,280	0	0
Cash Creditors, Joint Estate, unsecured	6,642	0	0
Cash Creditors, Joint Estate, collaterally partly secured by Policies of Assurance	9,015	0	0
On the life of I., worth	1,615	0	0
On the life of C., worth	738	0	0
Cash Creditors, Joint Estate, fully secured	10,435	0	0
They holding Securities belonging to the Firm, worth	14,395	0	0
Liabilities on Bills discounted, considered good	1,340	0	0
Preferential Creditors of Joint Estate	2,128	0	0
Tradesmen's Claims on Separate Estate of I.	697	0	0
Cash Creditors on Separate Estate of I.	2,578	0	0
They holding as security Freehold Property of his, worth	3,000	0	0
Tradesmen's Claims on Separate Estate of C.	119	0	0
Tradesmen's Claims on Separate Estate of A.	190	0	0
Cash Creditors of A., unsecured	510	0	0
Cash at Bank at Credit of Joint Estate	1,050	0	0
Cash in hand do.	843	0	0
Debtors do.	2,975	0	0
Stock do.	30,155	0	0
Fixtures and Furniture do.	1,400	0	0
Household Furniture, Separate Estate of I.	1,000	0	0
Do. do. C.	1,000	0	0
Do. do. A.	500	0	0
Reversionary Interest under Will of John Smith, deceased, Separate Estate of A., worth	200	0	0
I. had overdrawn his Account with the Firm by..	4,500	0	0
C. " " "	3,000	0	0
A. " " "	1,182	0	0

(*b*) Show (in condensed form) the Statement of Affairs of the firm and the three separate partners

(A)

I., C. & A.'s BALANCE SHEET, 3rd April 1907.

Liabilities.	£ s d	£ s d	*Assets.*	£ s d	£ s d
Trade Creditors	..	31,280 0 0	Cash at Bank	..	1,050 0 0
Cash Creditors	..	6,642 0 0	Cash in hand	..	843 0 0
Ditto (partly secured) ..	9,015 0 0		Debtors	..	2,975 0 0
Estimated value of securities	2,353 0 0		Stock	..	30,155 0 0
		6,662 0 0	Fixtures and Furniture	..	1,400 0 0
Ditto (fully secured) ..	10,435 0 0		Surplus from Securities (as per contra)	..	3,960 0 0
Estimated value of securities	14,395 0 0		Partners' Accounts overdrawn, viz.:—		
			I.	2,885 0 0	
Surplus (as per contra)	3,960 0 0		C.	2,262 0 0	
			A.	1,182 0 0	
					6,329 0 0
Liabilities on Bills discounted ..	1,340 0 0				
Estimated to rank for Preferential Creditors	..	2,128 0 0			
		£46,712 0 0			£46,712 0 0

I.'s BALANCE SHEET, 3rd April 1907.

Liabilities.	£ s d	£ s d	*Assets.*	£ s d	£ s d
Tradesmen's Claims	..	697 0 0	Household Furniture	..	1,000 0 0
Cash Creditors (fully secured) ..	2,578 0 0		Surplus from Securities	..	422 0 0
Estimated value of securities	3,000 0 0		Life Policy (deposited with creditors of Joint estate)	1,615 0 0	
Surplus (as per contra)	422 0 0		Deficiency	..	2,160 0 0
Amount due to firm of I., C. & A. ..	..	2,885 0 0			
		£3,582 0 0			£3,582 0 0

C.'s BALANCE SHEET, 3rd April 1907.

Liabilities.	£ s d	£ s d	*Assets.*	£ s d	£ s d
Tradesmen's Claims	..	119 0 0	Household Furniture	..	1,000 0 0
Amount due to firm of I., C. & A. ..	..	2,262 0 0	Life Policy (deposited with creditors of joint estate)	738 0 0	
			Deficiency	..	1,381 0 0
		£2,381 0 0			2,381 0 0

A.'s BALANCE SHEET, 3rd April 1907.

Liabilities.	£ s d	£ s d	*Assets.*	£ s d	£ s d
Tradesmen's Claims	..	190 0 0	Household Furniture	..	500 0 0
Cash Creditors	..	510 0 0	Reversionary Interest under Will of John Smith (decd.)	..	200 0 0
Amount due to firm of I., C. & A. ..	..	1,182 0 0	Deficiency	..	1,182 0 0
		£1,882 0 0			£1,882 0 0

(B)

STATEMENT OF AFFAIRS.

Re I., C, & A, (Joint Estate)

Gross Liabilities	Liabilities (as stated and estimated by Debtor)		Expected to rank	Assets (as stated and estimated by Debtor)	Estimated to produce
£ s d			£ s d		£ s d
46,937 0 0	Unsecured Creditors, as per list (A)		46,937 0 0	*Property, as per List (H), viz. :—	
	Creditors fully secured, as per List	£ s d		(a) Cash at Bankers	1,050 0 0
10,435 0 0	(B)	10,435 0 0		(b) Cash in hand	843 0 0
	Estimated value of Securities ..	14,395 0 0		(d) Stock-in-Trade (cost £)	30,155 0 0
				(e) Machinery	
	Surplus	3,960 0 0		(f) Trade Fixtures, Fittings, Utensils, &c. ..	1,400 0 0
	Less amount thereof carried to Sheet (C)			(k) Other Property, viz. :— Estimated surplus from separate Estate of I.	725 0 0
	Balance thereof to contra ..	£3,960 0 0		Ditto C.	881 0 0
	Creditors partly secured, as per List (C)	—			
	Less estimated value of Securities	—		Total as per List (H)	35,054 0 0
	Liabilities on Bills discounted, other than Debtor's own acceptances for value, as per List (D) viz. :—	£ s d		Book Debts, as per List (I), viz. :— Good	2,975 0 0
	On Accommodation Bills as Drawer, Acceptor, or Indorser			Surplus from Securities in the hands of Creditors fully secured (per contra)	3,960 0 0
1,340 0 0	On other Bills, as Drawer or Indorser	1,340 0 0			41,989 0 0
		£1340 0 0		Deduct Creditors for distrainable Rent, and for Preferential Rates, Taxes, Wages, Sheriff's Charges, &c. (per contra)	2,128 0 0
	Of which it is expected will rank against the Estate for Dividend				39,861 0 0
,128 0 0	Creditors for Rates, Taxes, Wages, &c., payable in full, as per List (G)	£ s d 2,128 0 0		Deficiency explained in Statement (K)	7,076 0 0
	Deducted contra	£2,128 0 0			
£60,840 0 0			£46,937 0 0		£46,937 0 0

STATEMENT OF AFFAIRS.

Re I.

Gross Liabilities	Liabilities (as stated and estimated by Debtor)		Expected to rank	Assets (as stated and estimated by Debtor)	Estimated to produce
£ s d			£ s d		£ s d
697 0 0	Unsecured Creditors as per List (A)		697 0 0	Property, as per List (H), viz. :—	
	Creditors fully secured, as per List	£ s d		(i) Furniture	1,000 0 0
2,578 0 0	(B)	2,578 0 0			
	Estimated value of Securities ..	3,000 0 0			
	Surplus	422 0 0		Total as per List (H)	1,000 0 0
	Less Amount thereof carried to Sheet (C)				
	Balance thereof to contra ..	£422 0 0		Surplus from Securities in the hands of Creditors fully secured (per contra)	422 0 0
	Surplus (to Joint Estate)		725 0 0		
£3,275 0 0			£1,422 0 0		£1,422 0 0

* See note on following page.

STATEMENT OF AFFAIRS

Re C.

Gross Liabilities	Liabilities (as stated and estimated by Debtor)	Expected to rank	Assets (as stated and estimated by Debtor)	Estimated to produce
£ s d		£ s d		£ s d
119 0 0	Unsecured Creditors as per List (A)	119 0 0	Property, as per List (H), viz.:—	
	Surplus (to Joint Estate)	881 0 0	(*i*) Furniture	1,000 0 0
£119 0 0		£1,000 0 0	Total as per List (H)	£1,000 0 0

STATEMENT OF AFFAIRS

Re A.

Gross Liabilities	Liabilities (as stated and estimated by Debtor)	Expected to rank	Assets (as stated and estimated by Debtor)	Estimated to to produce
£ s d		£ s d		£ s d
700 0 0	Unsecured Creditors as per List (A)	700 0 0	Property as per List (H), viz.:—	
			(*i*) Furniture	500 0 0
			(*k*) Other Property, viz.:— Reversionary Interest under Will of John Smith (decd.)	200 0 0
£700 0 0		£700 0 0	Total as per List (H)	£700 0 0

NOTE.—A secured creditor is defined by the Bankruptcy Act, 1883 (sec. 168), as "a person holding a mortgage charge or lien on the property of the debtor, or any part thereof, as security for a debt due to him from the debtor." Cash Creditors who are collaterally partly secured by policies of insurance on the lives of I. and C. are therefore "unsecured" creditors of the joint estate, provided those policies are the property of the respective partners, and not the property of the firm.

COMPOSITIONS.

When a composition is accepted, and the debtors continue trading, a "paper" profit is made by them upon carrying through the arrangement. In partnership cases the rights of the partners *inter se* must, of course, be considered, as shown in the following

PROBLEM.—M. & N. being in difficulties, effect an arrangement with their creditors under which the estate is to vest in a Trustee to be realised; 15s. in the £ paid to the creditors, and the balance (if any) returned to the debtors after payment of costs. The creditors' claims amounted to £1,700. M.'s capital was £500 in credit, N.'s £250 overdrawn. M. handed a further £100 to the Trustee out of his private estate to further secure the payment of the composition. The partnership assets were:—Cash, £50; Debtors, £750 (produced £700); Machinery, Plant, and Furniture, £800 (realised £400); and Stock £350 (sold for £150). Raise the following Accounts:—(1) Firm's Balance Sheet; (2) Trustee's Cash Account (the whole costs were £75); (3) Realisation Account; (4) Creditors' Account; (5) Profit and Loss Account; (6) M.'s Capital Account; and (7) N.'s Capital Account.

(1)

BALANCE SHEET.

Liabilities	£ s d	£ s d	*Assets.*	£ s d
Capital Accounts:—			Machinery, Plant, &c.	800 0 0
M. in Credit	500 0 0		Stock-in-Trade	350 0 0
N. Overdrawn	250 0 0	250 0 0	Debtors	750 0 0
Creditors		1,700 0 0	Cash	50 0 0
		£1,950 0 0		£1,950 0 0

(2)

Dr. **TRUSTEES' CASH ACCOUNT.** *Cr.*

Receipts.	£ s d	*Payments.*	£ s d
To Cash	50 0 0	By Costs	75 0 0
" Book Debts	700 0 0	" Creditors, composition of 15s. in the £	1,275 0 0
" Machinery, Plant, &c.	400 0 0	" Balance handed over to M.	50 0 0
" Stock-in-Trade	150 0 0		
" Amount received from M.	100 0 0		
	£1,400 0 0		£1,400 0 0

(3)

Dr. **REALISATION ACCOUNT.** *Cr.*

	£ s d		£ s d
To Sundry Assets	1,950 0 0	By Cash	1,300 0 0
		" Profit and Loss Account	650 0 0
	£1,950 0 0		£1,950 0 0

(4)

Dr. **CREDITORS' ACCOUNT.** *Cr.*

	£ s d		£ s d
To Cash	1,375 0 0	By Balance	1,700 0 0
" Profit and Loss Account	425 0 0		
	£1,700 0 0		£1,700 0 0

(5)

Dr. **PROFIT AND LOSS ACCOUNT.** *Cr.*

	£ s d			£ s d
To Realisation Account	650 0 0	By Creditors' Account		425 0 0
" Expenses	75 0 0	" Balance, viz. :—		
		M.	£150 0 0	
		N.	150 0 0	
				300 0 0
	£725 0 0			£725 0 0

(6)

Dr. **M.—CAPITAL ACCOUNT.** *Cr.*

	£ s d		£ s d
To Profit and Loss Account	150 0 0	By Balance	500 0 0
" Cash from Trustee	50 0 0	" Cash Paid to Trustee	100 0 0
" Balance down	400 0 0		
	£600 0 0		£600 0 0
		By Balance down	400 0 0

(7)

Dr. **N.—CAPITAL ACCOUNT.** *Cr.*

	£ s d		£ s d
To Balance	250 0 0	By Balance down	400 0 0
" Profit and Loss Account	150 0 0		
	£400 0 0		£400 0 0
To Balance down	£400 0 0		

CHAPTER XV.

LIQUIDATION ACCOUNTS.

IN many respects the accounts in Company Liquidations follow the lines already laid down by the chapter on Bankruptcy and Insolvency Accounts. The statutory provisions, however, modify these to some extent, while the rights of shareholders *inter se*—particularly where there is a surplus—claim special consideration.

DIFFERENT CLASSES OF LIQUIDATION.

There are three modes of liquidation applicable to companies. (1) Voluntary liquidation. (2) Voluntary liquidation under the supervision of the Court. (3) Compulsory liquidation.

VOLUNTARY LIQUIDATION.

With regard to the first, it need only be said that the winding up is conducted by a liquidator appointed by the shareholders, and that the procedure is one involving a minimum amount of formalities. There is no statutory necessity for a Statement of Affairs and Deficiency Account, or—to speak more accurately—the late officers of the Company cannot be called upon to prepare one. When, therefore, it is thought desirable to compile such a Statement for the information of creditors, the work devolves upon the liquidator.

It is usual, but not compulsory, for the liquidator every time he declares a dividend to forward therewith an account of his receipts and payments since the commencement of the liquidation. Such account should be as nearly as possible upon the same lines as similar accounts in Bankruptcy.

If the winding-up continues for more than one year, the liquidator is required by Section 139 of the Companies Act, 1862, to summon a General Meeting of the Company at the end of the first year and at the end of each succeeding year, or as soon thereafter as may be convenient, and to lay before such meeting an account showing his acts and dealings, and the manner in which the winding-up has been conducted. The account referred to in this section is an ordinary Account of Receipts and Payments, no special form being provided.

When the winding-up of the Company has been completed, the liquidator is required to summon a final meeting of the Company, and to submit thereto his final account. Again, no special form is prescribed, and it may therefore be upon the same lines as the preceding, save, of course, that as it is a final account it should show the ultimate disposal of all moneys that have been received. All vouchers should be produced for inspection. The view is held in some quarters that the shareholders at this meeting vote the liquidator's remuneration, and that consequently this item cannot be included in the final accounts. This is a mistake. The shareholders are not required to vote the liquidator's remuneration. It merely rests with them to approve the account; and if they do so, the approval of the account as a whole constitutes, of course, an approval of every item contained therein. If they disapprove, the practical effect is that the final meeting has not been "held," and consequently the

Company cannot be dissolved under the provisions of Section 143 of the Companies Act, 1862. The meeting can, however, be adjourned from time to time, to admit of the accounts being amended to the satisfaction of the contributories. Beyond this purely negative power, the only course open to the contributories (or any one of them) is to apply to the Court under Section 138 of the Companies Act, 1862, when the Court will make whatever order it thinks just. Under Section 25 of the Companies Act, 1900, any creditor has a like power to apply to the Court, should he be dissatisfied with the remuneration paid to the liquidator, or with any other matter arising out of the liquidation.

The following is an example of a liquidator's final account:—

PROBLEM.—The Welsh Mining Company, Lim., goes into voluntary liquidation on the 30th June 1906 with Trade liabilities £1,200, Cash liabilities £1,050, Rent owing £75, Wages and Rates £56, Debentures £2,000. On the debentures six months' interest at 6 per cent. per annum was due on the date of the winding-up resolution. After a lapse of six months the leasehold property, &c., are sold for £3,600 and some small rents have come in amounting to £27 10s., whilst a minimum rent of leasehold at £150 per annum has been growing due since the date of winding-up. Make up the Liquidator's final account, allowing £45 3s. 6d. for Law Costs and Outlays, and for Liquidator's remuneration 3 per cent. on realisation, and 2 per cent. on distribution to unsecured creditors, and show the dividend payable.

THE WELSH MINING COMPANY, LIM. (in Liquidation).

ACCOUNT OF LIQUIDATOR'S RECEIPTS AND PAYMENTS

Dr. TO DATE OF FINAL MEETING.....................................1907. *Cr.*

	£ s d	£ s d		£ s d	£ s d
To Proceeds of Realisation of Property ..	3,600 0 0		By Law Costs and Outlays	..	45 3 6
" Rents Received	27 10 0		" Liquidator's Remuneration, viz.:—		
		3,627 10 0	3% on £3,627 10s. realised	108 16 0	
			2% on £1,125 distributed	22 10 0	
					131 6 6
(NOTE:—(1) *The Rent, although not strictly preferential, would have to be paid in full before the property could be transferred to a purchaser unencumbered.* (2) *Interest on debentures would run to date of repayment.*)			Total Costs of Winding-up ..	..	176 10 0
			" Preferential and Secured Creditors:—		
			Wages and Rates	56 0 0	
			Rent (one year)	150 0 0	
			Debentures	2,000 0 0	
			Debenture Interest (one year) ..	120 0 0	
					2,326 0 0
			" Unsecured Creditors:—		
			First and final Divid nd of 10s. in the £ upon £2,250	..	1,125 0 0
		£3,627 10 0			£3,627 10 0

LIQUIDATION UNDER SUPERVISION.

So far as the accounts are concerned, the provisions here are in all respects the same as in the case of a voluntary liquidation conducted without the supervision of the Court, save that the liquidator's remuneration is fixed by the Court, and subject, of course, to any special directions that the Court may give with regard to the rendering of accounts.

COMPULSORY LIQUIDATIONS.

The procedure when the Court makes an order for a Company to be wound up is entirely different from the preceding. In the first place, instead of the liquidator being appointed by the shareholders, the Official Receiver becomes *ipso facto* provisional liquidator immediately upon the making of the order for the winding-up. It is the duty of the directors and the secretary (or other chief officer) to submit

to the Official Receiver a Statement of Affairs, prepared in the prescribed form, which follows very closely the lines prescribed for Statements of Affairs in Bankruptcy. A printed copy of this statement (*i.e.*, of the "front sheet" and the Deficiency Account) is forwarded by the Official Receiver to every shareholder and every creditor, and it is of interest to note that the practice is to include in that form only those items in the prescribed form against which figures actually appear. That is to say, no "blank" items are included. The following example shows clearly the prescribed form, and the method of filling it up; but for the sake of completeness, every item has been included, even where no such assets or liabilities arise in the example given.

PROBLEM.—From the following prepare a Statement of Affairs and Deficiency Account of A., B. & Co., Lim., as on 31st December 1906, under the Companies (Winding-up) Act, 1890. The capital consists of 7 Founders' Shares of £10 each, £5 per Share called up and paid, and 20,000 Ordinary Shares of £1 each, all called up:—

	£	£
Debtors (Good)	8,175	
,, (Doubtful) estimated to produce 50 per cent.	3,160	
,, (Bad)	1,874	
		13,209
Buildings, Engines, &c., valued at		10,672
Unsecured Creditors		10,267
Secured Creditor, holding Mortgage of Buildings, &c.		7,175
Partly Secured Creditors (security £1,500)		4,203
Liabilities on Bills Discounted (£280 to rank)..		1,700
Bills Receivable—£350 valued at		280
Managing Director's Salary, owing for five months		250
Weekly Wages unpaid		180
Calls on Ordinary Shares unpaid (estimated to produce £50) ..		100
Uncalled Capital—seven £10 Shares, £5 unpaid		35
Bank Account overdrawn		19
Cash in hand..		7

In the High Court of Justice.

COMPANIES (WINDING-UP).

IN THE MATTER OF THE COMPANIES ACTS, 1862 to 1898.

AND

IN THE MATTER OF * A. B. & COMPANY, LIMITED.

* Insert full Name of Company.

STATEMENT OF AFFAIRS on the 31st day of December 1906, the date of the Winding-up Order.

(I.) AS REGARDS CREDITORS.

Gross Liabilities	Liabilities		Expected to Rank	Assets		Estimated to Produce
£ s d	Debts and Liabilities, viz.:—		£ s d	(a) Property, as per list "H," viz.:—		£ s d
	(a) Unsecured Creditors, as per			(a) Cash at Bankers		
10,536 0 0	(State number) list "A"		10,536 0 0	(b) Cash in hand		7 0 0
	(b) Creditors fully secured (not including Debenture	£ s d		(c) Stock-in-Trade .. .. (Estimated Cost, £ : :)		
7,175 0 0	Holders) as per list "B"	7,175 0 0		(d) Machinery		
	Estimated value of Securities	10,672 0 0		(e) Trade Fixtures, Fittings, Utensils, &c. ..		
				(f) Investments in Shares, &c.		
	Estimated surplus £	3,497 0 0		(g) Loans on Mortgage		
	Carried to list "C" £	..		(h) Other Property, viz.:—		
						7 0 0
	Balance to contra (d) £	3,497 0 0		(b) Book Debts (Debtors), as per list "I," viz.:—		
				Good		8,175 0 0
	(c) Creditors partly secured, as				£ s d	
4,203 0 0	per list "C"	4,203 0 0		Doubtful	3,160 0 0	
	Less estimated value of Securities	1,500 0 0		Bad	1,874 0 0	
					£5,034 0 0	
	Estimated to rank for Dividend ..		2,703 0 0	Estimated to produce		1,580 0 0
	(d) Liabilities on Bills Discounted other than the Company's own acceptances for value, as	£ s d		(c) Bills of Exchange or other similar securities on hand, as per list "J"	£ s d 350 0 0	
1,700 0 0	per list "D"	1,700 0 0		Estimated to produce		280 0 0
	Of which it is expected will rank for Dividend		280 0 0	(d) Surplus from Securities in the hands of Creditors fully secured (per contra) (b)		3,497 0 0
	(e) Other Liabilities, as per list "E"	£ s d		(e) Unpaid Calls, as per list "K" ..	£100 0 0	
	Of which it is expected will rank against the Assets for Dividend ..			Estimated to produce		50 0 0
	(f) Preferential Creditors for Rates, Taxes, Wages, &c., as per list "F" deducted	£ s d		Estimated Total Assets		13,589 0 0
180 0 0	contra	180 0 0		Deduct Preferential Creditors, as per contra (f)		180 0 0
	(g) Loans on Debenture Bonds, as per list "G" deducted contra			Estimated amount available to meet claims of Debenture-holders		13,409 0 0
				Deduct Loans on Debenture Bonds secured on the Assets of the Company as per contra (g)		
	Estimated Surplus (if any) after meeting Liabilities of Company, subject to cost of Liquidation		£13,519 0 0	Estimated Amount available to meet Unsecured Creditors subject to cost of Liquidation		13,409 0 0
				Estimated Deficiency of Assets to meet Liabilities of the Company, subject to cost of Liquidation ..		110 0 0
£23,794 0 0			£13,519 0 0			£13,519 0 0

The Nominal Amount of Unpaid Capital liable to be called up to meet the above Deficiency is £35.

(II.) AS REGARDS CONTRIBUTORIES.

Capital Issued and Allotted, viz.:—	£ s d	£ s d	Estimated Surplus as above (if any) subject to costs of Liquidation	£ s d
7 Founders' Shares of £10 per share .. (7 Shareholders).				
Amount called up at £5 per Share, as per list "L"	35 0 0			
20,000 Ordinary Shares of £1 per Share .. (420 Shareholders).				
Amount called up at £1 per Share, as per list "M"	20,000 0 0			
......Preference Shares of £....per Share (....Shareholders).				
Amount called up at £......per Share, as per list "N"				
(a) Add particulars of any other capital. (a)				
	£20,035 0 0			
Less Unpaid Calls estimated to be irrecoverable	50 0 0	19,985 0 0		
Add Deficiency to meet Liabilities as above		110 0 0	Total Deficiency as explained in Statement "O"	20,095 0 0
		£20,095 0 0		£20,095 0 0

I..of..make oath and say that the foregoing Statement and the several Lists hereunto annexed marked "A," "B," "C," "D," "E," "F," "G," "H," "I," "J," "K," "L," "M," "N," and "O (1)" "O (2)" are, to the best of my knowledge and belief, a full, true, and complete statement of the affairs of the above-named Company, on the....................day of.......................................1 , the date of the winding-up order.

Sworn at ....
in the County of..
this................*day of*.............................1 .
Before me...
....

Signature...

LIST "A."—UNSECURED CREDITORS.

The Names to be arranged in alphabetical order and numbered consecutively, Creditors for £10 and upwards being placed first.

NOTES.—1. When there is a contra account against the Creditor, less than the amount of his claim against the Company, the amount of the Creditor's claim and the amount of the contra account should be shown in the third column, and the Balance only be inserted under the heading "Amount of Debt," thus:—

	£	s	d
Total Amount of Claim			
Less: Contra Account			

No such set-off should be included in List "I."

2. The particulars of any Bills of Exchange and Promissory Notes held by a Creditor should be inserted immediately below the name and address of such Creditor.

3. The names of any Creditors who are also Contributories, or alleged to be Contributories, of the Company must be shown separately, and described as such at the end of the List.

No.	Name	Address and Occupation	Amount of Debt	Date when Contracted		Consideration
				Month	Year	
			£ s d			

LIST "B."—CREDITORS FULLY SECURED (NOT INCLUDING DEBENTURE-HOLDERS).

No.	Name of Creditor	Address and Occupation	Amount of Debt	Date when Contracted		Consideration	Particulars of Security	Date when given	Estimated Value of Security	Estimated Surplus from Security
				Month	Year					
			£ s d						£ s d	£ s d

LIST "C." CREDITORS PARTLY SECURED.

(State whether also Contributories of the Company.)

No.	Name of Creditor	Address and Occupation	Amount of Debt	Date when Contracted		Consideration	Particulars of Security	Month and Year when given	Estimated Value of Security	Balance of Debt Unsecured
				Month	Year					
			£ s d						£ s d	£ s d

List "D."—LIABILITIES OF COMPANY ON BILLS DISCOUNTED OTHER THAN THEIR OWN ACCEPTANCES FOR VALUE.

No.	Acceptor's Name, Address, and Occupation	Whether liable as Drawer or Indorser	Date when Due	Amount	Holder's Name, Address, and Occcupation (if known)	Amount expected to rank for Dividend
				£ s d		£ s d

List "E."—OTHER LIABILITIES.

Full particulars of all Liabilities not otherwise Scheduled to be given here.

No.	Name of Creditor or Claimant	Address and Occupation	Amount of Liability or Claim	Date when Liability incurred		Nature of Liability	Consideration	Amount expected to rank against Assets for Dividend
				Month	Year			
			£ s d					£ s d

List "F."—PREFERENTAL CREDITORS FOR RATES, TAXES, SALARIES, AND WAGES.

No.	Name of Creditor	Address and Occupation	Nature of Claim	Period during which Claim accrued due	Date when due	Amount of Claim	Amount payable in full	Difference ranking for Dividend
						£ s d	£ s d	£ s d

List "G."—LIST OF DEBENTURE HOLDERS.

The Names to be arranged in alphabetical order and numbered consecutively.
Separate Lists must be furnished of holders of each issue of Debentures, should more than one issue have been made.

No.	Name of Holder	Address	Amount	Description of Assets over which Security extends
			£ s d	

List "H."—PROPERTY.

Full particulars of every description of property not included in any other lists are to be set forth in this list.

Full Statement and Nature of Property	Estimated Cost	Estimated to Produce
	£ s d	£ s d
(a) Cash at Bankers		
(b) Cash in hand		
(c) Stock in Trade, at		
(d) Machinery, at		
(e) Trade Fixtures, Fittings, Office Furniture, Utensils, &c.		
[State particulars] (f) Investments in Stocks or Shares, &c.		
[State particulars] (g) Loans for which Mortgage or other security held		
(h) Other Property, viz.:—		

List "I."—DEBTS DUE TO THE COMPANY.

The names to be arranged in alphabetical order, and numbered consecutively.

NOTE.—If any Debtor to the Company is also a Creditor, but for a less amount than his indebtedness, the gross amount due to the Company and the amount of the Contra Account should be shown on the third column, and the balance only be inserted under the heading "Amount of Debt," thus:—

	£ s d
Due to Company	
Less: Contra Account	

No such claim should be included in Sheet "A."

No.	Name of Debtor	Residence and Occupation	Amount of Debt			Folio of Ledger or other book where particulars to be found	When Contracted		Estimated to Produce	Particulars of any Securities held for Debt
			Good	Doubtful	Bad		Month	Year		
			£ s d	£ s d	£ s d				£ s d	

List "J."—BILLS OF EXCHANGE, PROMISSORY NOTES, &c., ON HAND AVAILABLE AS ASSETS.

No.	Name of Acceptor of Bill or Note	Address, &c.	Amount of Bill or Note	Date when due	Estimated to Produce	Particulars of any Property held as Security for Payment of Bill or Note
			£ s d		£ s d	

LIST "K."—UNPAID CALLS.

Con-secutive No.	No. in Share Register	Name of Shareholder	Address and Occupation	No. of Shares held	Amount of Call per Share unpaid	Total Amount due	Estimated to realise
					£ s d	£ s d	£ s d

LIST "L."—LIST OF FOUNDERS' SHARES.

Con-secutive No.	Register No.	Name of Shareholder	Address	Nominal Amount of Share	No. of Shares held	Amount per Share called up	Total Amount called up
						£ s d	£ s d

LIST "M."—LIST OF ORDINARY SHARES.

No.	Register No.	Name of Shareholder	Address	Nominal Amount of Share	No. of Shares held	Amount per Share called up	Total Amount called up
						£ s d	£ s d

LIST "N."—LIST OF PREFERENCE SHARES.

Con-secutive No.	Register No.	Name of Shareholder	Address	Nominal Amount of Share	No. of Shares held	Amount per Share called up	Total Amount called up
						£ s d	£ s d

LIST "O" (1).

Deficiency Account.

(1) Deficiency Account where Winding-up Order made within Three Years of Formation of Company.

	£ s d				£ s d
I. Gross Profit (if any) arising from carrying on business from date of formation of Company to date of Winding-up Order (as per Trading Account annexed)		I. Expenditure in carrying on business from date of formation of Company to date of Winding-up Order, viz.:—	Amount discharged £ s d	Due at date of Winding-up Order £ s d	
II. Receipts (if any) during same period from under-mentioned sources:— Interest on Loans .. .. Interest on Deposits .. .. Transfer Fees.. .. .. Amount paid on Shares issued and subsequently forfeited (as per List annexed)		II. General Expenditure:— Salaries .. .. .. Wages not charged in Trading Account .. Rent .. .. Rates and Taxes .. .. Law Costs .. .. .. Commission .. .. .. Interest on Loans .. .. Interest on Debentures .. Miscellaneous Expenditure (as per details annexed)			
III. Other Receipts (if any) during same period not included under any of the above headings, viz.:—		III. Directors' Fees from date of formation of Company to date of Winding-up Order			
IV. Deficiency as per Statement of Affairs—Part II. ..		IV. Dividends declared during same period			
		V. Losses and Depreciation written off in Company's Books (1):— Bad Debts .. .. Losses on Investments .. .. Depreciation on Property .. .. .. Preliminary Expenses			
		VI. Losses and Depreciation not written off in Company's Books, now written off by the Directors (1):— Bad Debts .. .. Losses on Investments .. .. Depreciation on Property .. .. .. Preliminary Expenses			
		VII. Other Losses and Expenses			
Total Amount to be accounted for .. .. (2) £		Total Amount accounted for .. .. .. (2) £			

Notes.—(1) Where particulars are numerous they should be inserted in a separate Schedule.

(2) These figures should agree.

Signature

Dated 19

LIST "O" (2).

Deficiency Account.

(2) DEFICIENCY ACCOUNT WHERE WINDING-UP ORDER MADE MORE THAN THREE YEARS AFTER FORMATION OF COMPANY.

	£ s d		Amount discharged £ s d	Due at date of Winding-up Order £ s d	£ s d
I. Excess of Assets over Capital and Liabilities on the (1) day of 19 (if any), as per Company's Balance Sheet. (This and any previous Balance Sheets to be annexed or handed to O. R.)		I. Excess of Capital and Liabilities over Assets on the (1) day of 19 (if any), as per Company's Balance Sheet. (This and any previous Balance Sheets to be annexed or handed to O. R.)..			
II. Gross Profit (if any) arising from carrying on business from the (1) day of 19 , to date of Winding-up Order as per Trading Account annexed		II. Expenses of carrying on business from the (1) day of 19 , to date of Winding-up Order, viz.: –			
III. Receipts (if any) during same period from under-mentioned sources:—		General Expenditure:—			
Interest on Loans		Salaries			
Interest on Deposits		Wages not charged in Trading Account ..			
Transfer Fees..		Rent			
Amounts paid on Shares issued and subsequently forfeited (as per List annexed) ..		Rates and Taxes			
IV. Other Receipts (if any) during same period not included under any of the above headings ..		Law Costs			
V. Deficiency as per Statement of Affairs—Part II. ..		Commission			
		Interest on Loans ..			
		Interest on Debentures..			
		Miscellaneous Expenditure (as per details annexed)..			
		III. Directors' Fees from the (1) day of 19 , to date of Winding-up Order..			
		IV. Dividends declared during same period..			
		V. Losses and Depreciation from the day of 19 , (1) written off in Company's Books, viz. (2):—			
		Bad Debts			
		Losses on Investments			
		Depreciation of Property			
		Preliminary Expenses			
		VI. Losses and Depreciation not written off in Company's Books, now written off by Directors (2):—			
		Bad Debts			
		Losses on Investments			
		Depreciation of Property			
		Preliminary Expenses			
		VII. Other Losses and Expenses (2)			
Total Amount to be accounted for .. .. (3) £		Total Amount accounted for .. .. .. (3) £			

[*Note the difference here, as compared with Form "O. (1)." At the date of its formation a Company has neither Assets nor Liabilities (although, of course, it may subsequently* adopt *liabilities incurred before that date); if, however, the account does not date back to the date of registration, a starting balance must be taken into account, as in the Bankruptcy Form, which see.*]

NOTES.—(1) Three years before date of Winding-up Order.

(2) Where particulars are numerous they should be inserted in a separate Schedule.

(3) These figures should agree.

Signature

Dated 19

LIST "P."—IN SUBSTITUTION FOR SUCH OF THE LISTS NAMED "A" TO "O" AS WILL HAVE TO BE RETURNED BLANK.

List	Particulars, as per Front Sheet	Remarks *Where no particulars are entered on any one or more of the Lists named "A" to "O" the word "Nil" should be inserted in this column opposite the particular List or Lists thus left blank.*
A	Unsecured Creditors	
B	Creditors fully secured (not including debenture-holders)..	
C	Creditors partly secured	
D	Liabilities on Bills discounted other than the Company's own acceptances for value	
E	Other Liabilities	
F	Loans on Debenture Bonds	
G	Preferential Creditors for Rates, Taxes, Wages, &c.	
H	Property	
I	Book Debts	
J	Bills of Exchange or other similar Securities on hand	
K	Unpaid Calls	
L	Founders' Shares	
M	Ordinary Shares	
N	Preference Shares	
O	Deficiency Account	

Signature.....................................

Dated..................................19

Meetings of creditors and of contributories respectively are convened by the Official Receiver, and at these meetings the permanent liquidator of the Company is appointed. If the creditors and contributories do not agree upon a liquidator, the Court makes the appointment. An Official Receiver may be permanently appointed as liquidator. The accounts to be kept by the liquidator in a compulsory liquidation are upon the same lines as in bankruptcy. That is, they are restricted to an account of cash receipts and payments, kept in the prescribed form, and supplemented by a Trading Account where the business of the Company is carried on pending realisation. As in bankruptcy, the liquidator is required to pay all moneys received into an account opened for that purpose at the Bank of England, unless special leave has been given for an account to be opened at a local bank.

The prescribed forms of Cash Book, Cash Account, and Trading Account are as follow:—

EXAMPLE:

COMPANY'S CASH BOOK.

RECEIPTS.									PAYMENTS.			
Date	Particulars	Total	Drawn from Bank	Debts Collected	Property Realised	Receipts from Securities held by Creditors	Calls	Other Receipts	Date	Particulars	Voucher Nos. (in red)	Total
		£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d				£ s d

Left-hand side.]

PAYMENTS.

Paid into Bank	Costs of Realisation								Preferential Creditors and Rent	Payments to Redeem Securities	Dividends Paid	Repayments to Contributories	Other Payments
	Board of Trade and Court Fees	Law Costs of Petition	Law Costs after Winding-up Order	Remuneration of Manager and Liquidator	Official Receiver's Com. on Assets Realised, and Amount Distributed in Dividend or Paid to Contributories	Charges of Auctioneer, Accountant, Shorthand Writer, &c., as taxed	Notices in *Gazette* and Local Paper	Incidental Expenses including Possession					
£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d

[*Right-hand side.*

EXAMPLE:

Cash Book }
Filing Copy }

THE COMPANIES (WINDING UP) ACT, 1890.

In the Court

In the matter of No. of 1

CASH BOOK.

Date	Receipts	Total	Drawn from Bank	Date	Payments	Voucher No.	Total	Paid into Bank
		£ s d	£ s d				£ s d	£ s d

LIQUIDATOR'S TRADING ACCOUNT UNDER SECTION 20.

(*Title.*)

G.H., the Liquidator of the above-named Company in account with the Estate.

Dr. RECEIPTS.				PAYMENTS. *Cr.*			
Date		£ s d		*Date*		£ s d	

Liquidator.

(*Date*)

We have examined this account with the vouchers and find the same correct, and we are of opinion the expenditure has been proper.

Dated this day of 19 .

Committee of Inspection
[*or* Member of the Committee of Inspection].

RETURNS TO BOARD OF TRADE.

Section 15 of the Companies (Winding-up) Act, 1890, provides that if the winding-up of the company is not concluded (*i.e.*, the company dissolved) within one year after its commencement, the liquidator shall, at such interval as may be prescribed, forward to the Board of Trade a statement in the prescribed form relative to the liquidation. The prescribed form is as follows:—

EXAMPLE:

No. 75.

No. of Company } ______________

Form of Statement of Receipts and Payments and General Directions as to Statements.

---

1) Every Statement must be on sheets 13 inches by 16 inches. Size of Sheets.

(2) Every Statement must contain a detailed account of all the liquidator's realisations and disbursements in respect of the Company. The Statement of Realisations should contain a record of all receipts derived from assets existing at the date of the winding-up order or resolution and subsequently realised, including balance in Bank, Book Debts and Calls Collected, Property Sold, &c.; and the account of disbursements should contain all payments for costs and charges, or to creditors, or contributories. Where property has been realised, the gross proceeds of sale must be entered under realisations, and the necessary payments incidental to sales must be entered as disbursements. These accounts should not contain payments into the Companies Liquidation Account or payments into or out of Bank, or temporary investments by the liquidator, or the proceeds of such investments when realised, which should be shown separately :— Form and contents of Statement.

(*a*) by means of the Bank Pass Book;

(*b*) by a separate detailed statement of moneys invested, and investments realised.

Interest allowed or charged by the Bank, Bank commission, &c., and profit or loss upon the realisation of temporary investments, should, however, be inserted in the accounts of realisations or disbursements, as the case may be. Each receipt and payment must be entered in the account in such a manner as sufficiently to explain its nature. The receipts and payments must severally be added up at the foot of each sheet, *and the totals carried forward from one account to another without any intermediate balance, so that the gross totals shall represent the total amounts received and paid by the liquidator respectively.*

(3) When the liquidator carries on a business, a Trading Account must be forwarded as a distinct account, and the totals of receipts and payments on the Trading Account must alone be set out in the Statement. Trading Account

(4) When dividends or instalments of compositions are paid to creditors, or a return of surplus assets is made to contributories, the total amount of each dividend or instalment of composition, or return to contributories, actually paid must be entered in the Statement of Disbursements as one sum; and the liquidator must forward separate accounts showing in lists the amount of the claim of each creditor and the amount of dividend or composition payable to each creditor, and of surplus assets payable to each contributory, distinguishing in each list the dividends or instalments of composition and shares of surplus assets actually paid, and those remaining unclaimed. Each list must be on sheets 13 inches by 8 inches. Dividends, &c.

(5) Credit should not be taken in the Statement of Disbursements for any amount in respect of liquidator's remuneration, unless it has been duly allowed by resolution of the Company in general meeting or by order of Court.

LIQUIDATOR'S STATEMENT OF ACCOUNT.

Pursuant to Section 15 *of the Companies* (*Winding-up*) *Act*, 1890.

Name of Company ______________________________

____

Nature of proceedings (whether wound up by the Court, or under the supervision of the Court, or voluntarily) .. .. .. } ______________

Date of commencement of winding-up ______________

Date to which Statement is brought down ______________

Name and Address of Liquidator ______________

____

This Statement is required in duplicate.

LIQUIDATOR'S STATEMENT OF ACCOUNT

REALISATIONS

Date	Of whom received	Nature of Assets realised	Amount
			£ s d
		Brought forward ..	
		Carried forward ..	

This margin is reserved for binding, and should not be written across.

pursuant to S. 15 of the Companies (Winding-up) Act, 1890.

This margin is reserved for binding, and should not be written across.

DISBURSEMENTS

Date	To whom paid	Nature of Disbursements	Amount
			£ s d
		Brought forward ..	
		* Carried forward ..	

*Note.—No balance should be shown on this Account, but only the total Realisations and Disbursements, which should be carried forward to the next Account.

[Turn Over]

ANALYSIS OF BALANCE.

Total Realisations				
,, Disbursements				
Balance ..				
The Balance is made up as follows :—				
1. Cash in hands of Liquidator				
	£	s	d	
2. Total Payments into Bank, including balance at date of commencement of winding up (*as per Bank Book*) ..				
Total withdrawals from Bank				
Balance at Bank				
3. Amount in Companies Liquidation Account				
	£	s	d	
*4. Amounts invested by Liquidator				
Less amounts realised from same				
Balance ..				
Total Balance as shown above £				

NOTE.—Full details of Stocks purchased for investment and of realisation thereof should be given in a separate statement.

*The investment or deposit of money by the liquidator under competent authority does not withdraw it from the operation of Sec. 15 of the Companies (Winding-up) Act, 1890, and any such investments representing money held for six months or upwards must be realised and paid into the Companies Liquidation Account, except in the case of investments in Government Securities, the transfer of which to the control of the Board of Trade will be accepted as a sufficient compliance with the terms of the section.

NOTE.—The Liquidator should also state—

(1)	The amount of the estimated assets and liabilities at the date of the commencement of the winding-up	Assets (after deducting amounts charged to secured creditors and debenture-holders £	
		Liabilities: Secured creditors .. £	
		Liabilities: Debenture-holders .. £	
		Liabilities: Unsecured creditors .. £	
(2)	The total amount of the capital paid up at the date of the commencement of the winding-up ..	Paid up in cash .. .. £	
		Issued as paid up otherwise than for cash .. .. £	
(3)	The general description and estimated value of outstanding assets (if any)		
(4)	The causes which delay the termination of the winding-up ..		
(5)	The period within which the winding-up may probably be completed		

EXAMPLE :

No. 75 E.

No. of Company ______________

SUMMARY OF LIQUIDATOR'S ACCOUNTS

[UNDER RULE 3 of 1891.]

Name of Company ____

Nature of proceedings (whether wound up by the Court or under the supervision of the Court or voluntarily) ... ______________________________

Date of commencement of winding up ... ... ______________________________

Date to which Statement is brought down ... ... ______________________________

Name and Address of Liquidator ______________________________

____

(To be forwarded in Duplicate)

ACCOUNT of Realisations and Disbursements pursuant to

From 1 .

RECEIPTS.

	£	s	d
Amount of calls (if any) realised			
Amount of other assets realised			
Interest on Investments made by the liquidator			
Trading receipts			
Other receipts			
£			

This margin is reserved for binding, and should not be written across.

I,

of

the liquidator of the above-named company, make oath and say that the above statement is a full and true summary of my receipts and payments in the winding-up of the company from the day of 1 , to the day of 1 ; that all dividends, instalments of composition, and shares of surplus assets which have remained unclaimed or undistributed for six months have been paid into the Companies Liquidation Account, and that the minimum balance of other money representing unclaimed or undistributed assets which I have had in my hands or under

Section 15 of the Companies (Winding-up) Act, 1890.

To 1 .

PAYMENTS.

		£	s	d
Amount paid to secured creditors				
Amount paid to preferential creditors				
Amount paid to unsecured creditors				
Amount returned to contributories				
	£			
Costs, namely:—				
(*a*) Law costs				
(*b*) Liquidator's remuneration				
(*c*) Other costs				
Trading payments				
Other payments				
	£			

my control during the six months immediately preceding the date to which the above statement is brought down is £

Sworn at

this day of 1 .

Before me,

This margin is reserved for binding, and should not be written across.

NOTE.—The Liquidator should also state—

(1) The amount of the estimated liabilities at the date of the commencement of the winding-up	
(2) The general description and estimated value of outstanding assets (if any)	
(3) The causes which delay the termination of the winding-up	
(4) The period within which the winding-up may probably be completed	

		£	s	d
(5) The balance of realised funds	Invested			
	In Bank			
	In Hand			
	Total .. .. £			

It should be added that all unclaimed dividends in voluntary liquidations must be paid into the Companies' Liquidation Account at the Bank of England, and a detailed return thereof submitted to the Board of Trade. All moneys that have been in the hands of a voluntary liquidator for twelve months must also be paid into this account, and can only be drawn out again as required for the purposes of the liquidation. The necessary forms, both for paying in and drawing out, are issued by the Board of Trade, and it is important that the directions given on these forms be carefully observed, if it is desired to avoid delay in obtaining the repayment of moneys from the Companies' Liquidation Account.

RETURNS TO CONTRIBUTORIES.

Where a surplus remains in the liquidator's hands after payment of all costs and creditors' claims, it must be distributed among the contributories (shareholders) in accordance with their respective rights. These rights are determined by the Company's Memorandum and Articles of Association. If the Memorandum and Articles make any special class (or classes) of shares preferential as regards capital, these must be paid in full before any surplus is available for distribution among shareholders who are not so preferred. For example, Preference Share Capital must usually (although not necessarily always) be returned in full before anything is returned on account of Ordinary Share Capital; but no arrears of preference dividend are payable until *all* Capital has been returned in full, because dividends upon shares are only payable out of profits.

Theoretically, all unpaid Capital should be called up by the liquidator before adjusting the rights of contributories. For example, uncalled Ordinary Capital may require to be called up to enable a repayment of Capital to be made to the holders of Preference Shares. In practice, however, calls are never made unnecessarily, and consequently the Capital would not be called up if it were clear at the outset that it would immediately afterwards have to be returned to the *same* shareholders. Thus, if the assets have realised sufficient to enable Preference Capital to be returned in full, any Capital uncalled on Ordinary Shares would not usually be called up, because when received it would merely have to be returned to the ordinary shareholders again. An exception to this rule arises, however, where a different amount has been called up upon groups of the *same* class of shares. For example, where some Ordinary Shares are fully paid and others only partly paid up, in order to adjust the rights of the ordinary shareholders *inter se* it may be necessary to call up a part of the uncalled Capital. From most points of view, the shareholders of a Company may be regarded as co-partners, and as under the heading of Partnership Accounts it was shown that upon a final adjustment it was necessary to charge each partner with his proper share of the loss incurred, or to credit each partner with his proper share of the profit earned, as the case may be, so, in Companies, shareholders of a like class must, at the final adjustment, be left losing (or gaining) the same amount per share. The following example shows clearly the working out of the general principle already described:—

PROBLEM.—In the voluntary winding-up of the Barclutha Electric Light Company, Lim. (whose undertaken, has been purchased by the local authority), the Liquidator having realised all the assets finds that the funds on hand amount to £10,525. These are subject to the liquidator's remuneration and costs of liquidation, including estimated cost of closing the liquidation, which together amount to £745.

	£
The amounts due to Creditors are:—	
Preferable Debts	285
Ordinary Creditors...	4,320
The Capital of the Company is as follows:—	
Preference Shares having a preference as to capital, as well as to dividends:	
500 Shares of £10 each fully paid up...	5,000
Ordinary Shares:	
2,000 Shares of £10 each fully paid up	20,000
2,500 Shares of £10 each £8 per share paid up	20,000

With the exception of the provision that the 500 Preference Shares have a preference as to capital, as well as to dividends, there are no special provisions in the Memorandum or Articles of Association as to the distribution of the assets in a winding-up.

Draw up a scheme showing the order in which the Liquidator, in accordance with his duty, should apply the realised funds, and state the mode in which he should adjust the rights of the different classes of shareholders among themselves, showing the actual results in figures.

THE BARCLUTHA ELECTRIC LIGHT COMPANY, LIM. (IN LIQUIDATION).
ACCOUNT OF LIQUIDATOR'S RECEIPTS AND PAYMENTS.
To date of Final Meeting..............190....

	£ s d	£ s d		£ s d	£ s d
To Realisation of Assets:— (Show details)		10,525 0 0	By Costs of Liquidation:— (Show details)		745 0 0
" Proceeds of Call of £1 per Share on £2,500 Ordinary Shares of £10 each, making same £9 per Share paid up..	..	2,500 0 0	" Creditors paid in full:— Preferential Claims	285 0 0	
			Unsecured Claims	4,320 0 0	4,605 0 0
			" Return to Shareholders:— Preference Shares, 500 Shares of £10 each, fully paid, returned in full ..	5,000 0 0	
			Ordinary Shares, 2,000 Shares of £10 each, fully paid, return of 23/- per Share	2,300 0 0	
			Ordinary Shares, 2,500 Shares of £10 each, £9 per Share paid, return of 3/- per Share	375 0 0	7,675 0 0
		£13,025 0 0			£13,025 0 0

NOTE—Shareholders of the same class must leave off losing, or gaining, the same amount per Share. In this case all the holders of Ordinary Shares lose £8 17s. 0d. per Share. If any shareholders fail to pay the call made by the Liquidator, their Shares would be forfeited, and they would not participate in the final return in respect of those Shares.

RECONSTRUCTIONS AND AMALGAMATIONS.

Cases frequently arise under which part, or all, of the assets of a Company in liquidation are sold to another Company, and the purchase-price received, either wholly or partly, in fully (or partly) paid up shares in that Company. Sometimes the Purchasing Company also takes over the liabilities of the Company in liquidation. As a rule, such an arrangement was foreseen at the time that the Vendor Company went into liquidation, and the scheme is commonly described as a "Scheme for Reconstruction." The term is, however, not a legal one, and does not very accurately describe what takes place, seeing that the old Company is not in fact "reconstructed," or "revivified," but wound up and dissolved in the usual way; while the Purchasing Company is legally an entirely different undertaking, although it is often registered under the same (or some very similar) name. Several problems of some intricacy arise in connection with Reconstructions, but these are best considered in a separate chapter.

CHAPTER XVI.

RECONSTRUCTIONS AND AMALGAMATIONS.

IT has already been stated that the term "Reconstruction" is usually (although somewhat inaccurately) applied to a scheme under which a Company goes into liquidation for the express purpose of selling the whole, or some portion, of its undertaking to another Company formed for that specific object. The term is also generally used where such an arrangement is effected, even although it was not in contemplation at the date when the Vendor Company went into liquidation. Where, however, the undertaking of a Company is sold to another Company already in existence, the process is described as an "Amalgamation," and the latter term is also used to describe the arrangement under which the undertakings of two or more Companies are combined, even although the purchasing Company may be specially formed to carry the arrangement into effect.

RECONSTRUCTIONS.

In spite of these distinctions between Reconstructions and Amalgamations, however, the necessary accounts in connection with each process are very similar. So far as the accounts of the Vendor Company are concerned, it is probable that, in practice, the books would not be actually closed, as it is generally thought desirable to keep the books as they stood up to the date of liquidation, and for the liquidator to keep his own accounts quite separate. None the less is it important that the actual nature of the transactions should be fully understood by the reader, and this will doubtless best be done by following the entries that would be necessary to completely close the books, were it thought desirable to do so.

Naturally, the closing entries have much in common with the corresponding entries in the case of a partnership that is completely wound up. A variation, however, occurs in that the chief—if not the only—return to the shareholders will be in the form of fully (or partly) paid-up shares in the new Company. To enable such a distribution to be effected, the first step is to adjust the rights of contributories *inter se*, and for that purpose to "settle" a List of Contributories. As regards the latter, the formalities prescribed by statute must be duly observed. With regard to the former, it need only be mentioned that, as in the case of ordinary liquidations so in reconstructions, the rights of contributories *inter se* must be "adjusted," and for this purpose it is necessary that the same amount *per share* should be called up upon all shares of the same class. The proceeds of the Calls so made will, of course, increase to a corresponding extent the cash balance available for distribution among the contributories as a whole.

So far as the Purchasing Company is concerned, the position of affairs is quite simple, and differs in no way from that of any ordinary Company acquiring a going concern. The mere fact that the Vendor is the Liquidator of a Company, instead of a firm or a promoter, makes no difference whatever in the form of the necessary opening entries.

These preliminary remarks will enable the reader to trace without difficulty the working out of the following problem, which relates to a comparatively simple state of affairs:—

PROBLEM.—The " B " Company goes into voluntary liquidation on 30th September 1906. Its assets appear in the books as follow:—

Cost of Properties	**£150,000**
Machinery and Stores	**12,000**

Its liabilities are £25,000, and its Capital (fully paid-up) £200,000. The assets are sold to the " C " Company, Lim., for £100,000, payable in Shares of that Company of £1 each credited with 16s. 8d. per Share paid, and £30,000 in cash, which just suffices to pay the liabilities and liquidation costs.

(a) Close the books of the " B " Company.

(b) Show the opening entries in the books of the " C " Company.

(a) On the 30th September 1901 the Balance Sheet of the " B " Company stood as follows :—

BALANCE SHEET, 30th September 1906

Liabilities.	£ s d	*Assets.*	£ s d
Capital	200,000 0 0	Property	150,000 0 0
Creditors	25,000 0 0	Machinery and Stores	12,000 0 0
		Profit and Loss Account	63,000 0 0
	£225,000 0 0		£225,000 0 0

In Journal form the closing entries would be as follow :—

JOURNAL, 1906.

30th September.	£ s d	£ s d
Realisation Account	162,000 0 0	
To Property	..	150,000 0 0
,, Machinery and Plant	..	12,000 0 0
" C " Company	130,000 0 0	..
To Realisation Account	..	130,000 0 0
Realisation Account	5,000 0 0	..
To Liquidation Costs	..	5,000 0 0
Profit and Loss Account	37,000 0 0	..
To Realisation Account	..	37,000 0 0
Cash	30,000 0 0	..
Shares in " C " Company (120,000 of £1 each, 16s. 8d. per Share paid)	100,000 0 0	..
To " C " Company	..	130,000 0 0
Creditors	25,000 0 0	..
Liquidation Costs	5,000 0 0	..
To Cash	..	30,000 0 0
Capital Account	100,000 0 0	..
To Profit and Loss Account	..	100,000 0 0
Capital Account	100,000 0 0	..
To Shares in " C " Company	..	100,000 0 0
(Being a distribution at the rate of 3 " C " Shares (16s. 8d. per Share paid up) for each 5 Shares held in the " B " Company.)		

(*b*) The opening entries in "C" Company's Journal are as follow:—

JOURNAL, 1905.

30th September	£ s d	£ s d
Property Account	113,000 0 0	..
Machinery and Stores	12,000 0 0	..
Preliminary Expenses	5,000 0 0	..
To Liquidator of "B" Company	..	130,000 0 0
Liquidator of "B" Company	130,000 0 0	..
To Cash	..	30,000 0 0
" Share Capital Account (120,000 Shares of £1 each, issued with 16s. 8d. per Share paid up, as per contract dated—1901, adopted—1901, filed—1901	..	100,000 0 0

Assuming that the "C" Company has issued the remainder of its Capital (say 30,000 Shares) for cash, and that all Shares are fully paid up, the Balance Sheet of the "C" Company will appear as follows:—

BALANCE SHEET, ... 1906.

Liabilities.	£ s d	*Assets.*	£ s d
Share Capital:—		Property (at cost)	113,000 0 0
150,000 Shares of £1 each fully paid	150,000 0 0	Machinery and Stores	12,000 0 0
		Cash	20,000 0 0
		Preliminary Expenses	5,000 0 0
	£150,000 0 0		£150,000 0 0

NOTES.—(a) *The purchase price is £130,000 payable in Cash and Shares; as the Shares are only partly paid up the number issued is increased proportionately.* (b) *It is assumed* (1) *that the Machinery and Stores are worth their book value, otherwise the cost of the property would be increased pro râta;* (2) *That the "B" Company has paid the costs of registering the "C" Company, in which case the £5,000 is best treated as Preliminary Expenses; it might, however, be added to the cost of property instead.*

"ABSORPTIONS."

Where an undertaking as a whole is sold to an already existing Company, the closing of the Vendor Company's accounts is upon the same lines as in a Reconstruction, while the opening entries in the Purchasing Company's accounts involve no new principle. A practical variation, however, arises in that as a rule the business that is being bought and sold is a valuable one, so that instead of the transactions resulting in a loss to the shareholders of the Vendor Company there is usually a profit. Such profit may arise from any one of the following causes, or from all:—

(*a*) From the price paid for Goodwill being in excess of the amount (if any) at which that item stands in the books of the Vendor Company.

(*b*) From the fact that Reserves which the Vendor Company has in the past thought it prudent to maintain need no longer be regarded as liabilities in the accounts.

(*c*) From the fact that the intrinsic value of the shares received in payment (or part payment) of the purchase-price is in excess of their nominal value.

Per contra the entries in the books of the Purchasing Company recording the purchase may require any (or all) of the following points to be borne in mind:—

(*a*) The purchase-price paid may exceed the value of the tangible assets acquired (or the excess of such tangible assets over the liabilities taken over).

(*b*) It is necessary that at all events the floating assets taken over should not be entered in the books at a figure in excess of their actual value.

(*c*) The shares of the Purchasing Company may (in fact) be issued at a premium, or at a discount.

A careful study of the following example will enable the proper treatment in connection with all these various points to be traced. It only remains to be stated that unless the contract of sale expressly states that the Purchasing Company takes over the liabilities of the Vendor Company, these liabilities must be paid by the latter; but where property passing is specifically charged with the repayment of certain liabilities, it can only be conveyed subject to the charge, so that in such cases the liability would have to be taken over, unless special arrangements were made for its redemption.

PROBLEM.—**The Rufus Iron and Steel Company, Lim., of Birmingham, is purchased or absorbed by the Blackrod Iron and Steel Company, Lim., of Darlington, on 31st December 1906, and is afterwards carried on as a Branch Works only. The consideration for the purchase or absorption is the discharge of the Debenture Debt at a premium of 10 per cent. and a payment in cash of £7 10s., and the exchange of three £1 Shares in the Blackrod Company, of the market value of £2 10s. per Share for every Share in the Rufus Company.**

The following is the Balance Sheet of the Rufus Company when taken over:—

BALANCE SHEET, 31st December 1906.

Liabilities.	£	*Assets.*	£
Capital—60,000 £10 Shares fully paid ..	600,000	Land and Buildings	189,885
Debenture Stock	280,000	Plant and Machinery, &c.	435,492
Sundry Creditors	39,754	Patterns and Drawings	5,000
Workmen's Savings Bank	21,205	Patents..	9 577
Insurance Fund	10,000	Work in Progress and Stocks on hand ..	211,452
Reserve Fund	65,000	Furniture and Fittings	1,444
Revenue Balance	5,662	Cash in hand..	120
		Cash at Bankers	77,396
		Sundry Debtors	91,255
	£1,021,621		£1,021,621

(*a*) **Make the necessary closing entries in the books of the Rufus Company.**

(*b*) **Open the books of the Blackrod Company, so far as they relate to these transactions.**

(A) JOURNAL, 1906.

31st December.	£ s d	£ s d
Realisation Account..	1,021,621 0 0	
To Sundry Assets (specified)	..	1,021,621 0 0
Cash	758,000 0 0	
Shares in Blackrod Co. (180,000 Shares of £1 each, fully paid, valued at 50s. per Share)	450,000 0 0	
To Realisation Account	..	1,208,000 0 0
Realisation Account	28,000 0 0	
To Debentures (premium on redemption)	..	28,000 0 0
Insurance Fund	10,000 0 0	
Reserve Fund..	65,000 0 0	
Revenue Balance	5,662 0 0	
To Realisation Account	..	80,662 0 0
Debentures	308,000 0 0	
To Cash	..	308,000 0 0
Sundry Creditors	39,754 0 0	
Workmen's Savings Bank	21,205 0 0	
To Cash	..	60,959 0 0
Share Capital	600,000 0 0	
Realisation Account	239,041 0 0	
To Cash	..	389,041 0 0
" Shares in Blackrod Co. (being a distribution of 12s. 11¾d. (nearly) in the £ in cash, and 15s. in the £ in Shares of the Blackrod Co.)	..	450,000 0 0

(B) JOURNAL, 1906.

31st December.	£ s d	£ s d
Land and Buildings	189,885 0 0	
Plant and Machinery, &c.	435,492 0 0	
Patterns and Drawings	5,000 0 0	
Patents..	9,577 0 0	
Work in Progress and Stocks on hand	211,452 0 0	
Furniture and Fittings	1,444 0 0	
Cash in hand	120 0 0	
Cash at Bank	77,396 0 0	
Sundry Debtors	91,255 0 0	
To Liquidator of Rufus Company	..	1,021,621 0 0
Liquidator of Rufus Company	1,021,621 0 0	
To Cash (for Debenture Debt)	..	308,000 0 0
" Do.	..	450,000 0 0
" Share Capital A/c (180,000 Shares of £1 each, issued as fully paid as per contract dated *vide* Minute No.).	..	180,000 0 0
" Premium on Issue of Shares (being excess of value of Assets acquired over cash and nominal value of Shares issued)	..	83,621 0 0

NOTES.—In the books of the Vendor Company it is best to take the Blackrod Shares at their market value. The accounts then give a fair idea of the effect of the transaction, which has (presumably) been carried through on the assumption that the Goodwill of the Vendor Company is worth £186,379; this, added to the Revenue balance and Reserves, gives a total profit to date of £267,041, of which the debenture-holders take £28,000, leaving £239,041 for the shareholders. In the books of the Purchasing Company, on the other hand, the Company's own Shares can only be regarded as of par value. It appears that the property acquired is worth £83,631 more than the nominal value of the Shares and the Cash paid for it—the difference is the amount of premium actually realised on the issue. Another way of treating the matter would be to raise a Goodwill Account for £186,379, which would raise the premium on the issue to £270,000 = 30s. per Share on 180,000 Shares: as, however, the balance on Premium Account would probably be at once applied towards writing off the Goodwill Account, the first-named method seems simpler.

AMALGAMATIONS.

It is, perhaps, unnecessary to point out that the closing entries in the Vendor's books are not affected by any consideration as to the exact constitution of the Purchasing Company, while the mere fact that the latter may arrange to simultaneously acquire the undertakings of two or more different Companies presents no new feature, in that the opening entries in respect of each purchase will, of course, have to be kept entirely distinct. It remains, however, to consider the most convenient method of arranging the terms under which two separate Companies shall amalgamate their resources.

In practice, complications sometimes arise in the adjustment of these amounts, owing to the amalgamations being the result of a bargain which has not taken into consideration any detailed examination of their respective positions, although in opening the books of the new Company such detailed investigation is essential. What is meant here will perhaps be best understood by considering in detail the following example:—

PROBLEM.—Two Mining Companies agree to amalgamate upon the basis that the value of their respective assets shall be taken at the figures appearing in the books. State what you think would be the best way of carrying out the amalgamation, the two Balance Sheets being as follow:—

"A" COMPANY, LIM.—BALANCE SHEET.

Liabilities.	£	s	d	*Assets.*	£	s	d
Capital, 100,000 Shares of £1 each ..	100,000	0	0	Property Account	95,000	0	0
Creditors	2,500	0	0	Debtors	3,000	0	0
Reserve Eund	20,000	0	0	Bullion in Transit	10 000	0	0
Profit and Loss Account	5,000	0	0	Cash	19,500	0	0
	£127,500	0	0		£127,500	0	0

"B" COMPANY, LIM.—BALANCE SHEET.

Liabilities.	£	s	d	*Assets.*	£	s	d
Capital, 50,000 Shares of £2 each ..	100,000	0	0	Property Account	80,000	0	0
Creditors	1,000	0	0	Debtors	2,000	0	0
Profit and Loss Account	20,000	0	0	Consols	25,000	0	0
				Cash	14,000	0	0
	£121,000	0	0		£121,000	0	0

Show the Balance Sheet of the new Company.

In the above example, the problem has been intentionally simplified by the assumption that the book-values of the various assets and liabilities have been admitted. If they had not been admitted, it would have been necessary to prepare revised Balance Sheets setting forth the actual figures and adjusting the balance of undivided profit (or loss, as the case may be) accordingly. Again, had the basis of valuation been that the properties of both Companies were assumed to be of equal value, then either the undivided profits of the "A" Company must have been written down £15,000, or the undivided profits of the "B" Company written *up* by that amount. All necessary adjustments having been made, the next point is to equalise the position, as between the two sets of shareholders, so that the percentage of undivided profits (including Reserves) to Capital may be the same in respect of both Companies. In the instance cited above it will be seen that this adjustment requires £5,000 in cash to be distributed among the shareholders of the "A" Company, or else £5,000 in cash to be contributed by the shareholders of the "B" Company. It will depend upon the available resources which course it is thought best to adopt. The following Balance Sheet shows the position of the amalgamated Company upon the assumption that the amalgamation has been carried through on the basis of first making a return of 5 per cent. to the shareholders of "A" Company, and then issuing six fully paid shares in the new Company to each holder of five shares in the "A" Company, and twelve shares in the new Company to each holder of five shares in the "B" Company. There being an ample cash balance, it has been assumed that the creditors' claims have been paid off, and the Balance Sheet then stands as follows:—

A. & B. UNITED, LIM.—BALANCE SHEET.

Liabilities.	£ s d	£ s d	*Assets.*	£ s d	£ s d
Nominal Capital, £240,000 Shares of £1 each	£240,000 0 0		Property Account	..	175,000 0 0
			Debtors	..	5,000 0 0
			Bullion in Transit	..	10,000 0 0
			Consols	..	25,000 0 0
Capital Subscribed (240,000 Shares, fully paid up)	..	240,000 0 0	Cash..	..	25,000 0 0
		£240,000 0 0			£240,000 0 0

In practice, the terms of an amalgamation are frequently settled the other way round. That is to say, instead of any detailed valuation of the assets and liabilities being agreed upon, the intrinsic value of the *shares* in the Vendor Companies is agreed, and it is left for the amalgamating Company to adjust the details. When this course is pursued, it is necessary to proceed upon the assumption that the Capital *plus* undivided Profits (including Reserves) of a Company are in fact at all times equal to the aggregate market value of its shares. Thus, if the shares of a Company stand at 1¼, the undivided Profits (including Reserve Fund, if any) must be assumed to be equal to one-fourth of its paid-up Capital, and an adjusted Balance Sheet compiled upon this assumption. Liabilities and floating Assets would appear on this Balance Sheet at their actual value, and the difference would be assumed to be the value of the fixed assets in the case of a Mining Company, or the value of the Goodwill in the case of an industrial concern.

FRACTIONS OF SHARES.

Wherever distributions of shares are made, the difficulty will always arise in practice that an exact distribution requires fractions of shares to be distributed, which is, of course, impossible. In practice this difficulty is got over by setting upon one side the total number of shares which these fractions represent, realising them to the best advantage, and distributing the proceeds among the various parties in accordance with their respective rights. To take a very simple case:—Supposing it appears that 50 shareholders are each entitled to half a share, then there are 25 shares over that cannot be specifically allotted. If these 25 shares realised £10, each of the 50 shareholders would receive four shillings as representing the cash value of his half-share.

CHAPTER XVII.

FALSIFIED ACCOUNTS.

IN the present chapter it is proposed to consider errors of all kinds in accounts which have been deliberately made with the intention of misrepresenting the actual position of affairs. The usual object of such falsification is to conceal the fact that there has been an actual misappropriation of property belonging to the undertaking, but this is by no means necessarily the only motive. Cases sometimes arise in which the accounts have been falsified merely with a view to misrepresenting the actual profits made. Again, falsification is, as a rule, employed in connection with the record of cash, but not by any means necessarily. If, therefore, it is desired to effectively guard against, or detect, falsification, the matter must be viewed from a broad and comprehensive standpoint.

MISREPRESENTATION OF PROFITS.

Taking first of all the more unusual cases of falsification *not* employed as a cloak to conceal misappropriation, the commonest motives are—

(1) On the part of a vendor to overstate the profits of the undertaking to an intending purchaser;

(2) On the part of an intending purchaser, who has previously had charge of the books, to understate the profits of the undertaking he is about to acquire;

(3) On the part of a manager whose commission, or whose appointment, is dependent upon a certain standard of results, with a view to securing a continuance, or improvement, of his present position.

Taking each of these cases separately, the first may be more conveniently considered under the heading of "The Criticism of Accounts" (*vide* Chap. XXIII.); the second is of very common occurrence, although as a rule within somewhat narrow limits, but as it raises no special points it may be dismissed with the caution that the proprietor of a business should never think of selling it on the basis of accounts that have been prepared by—or exclusively in the interest of—the intending purchaser.

The third class named above calls for more careful consideration on account of its importance, and the variety of manners in which the falsification may be accomplished. Speaking generally, it may be stated, as being part of an effective system of internal check (*vide* Chap. III.), that no employee whose remuneration is based upon results should be allowed to in any way control the record of those results in the books; this applies whether the basis of remuneration be a commission on sales, a commission on cash received, a commission on net profits, or upon any other form of transactions or results. It is clear that in such cases the employee is so directly interested that an effective system of control and of internal check, requires the record of these figures to be entirely independent of the person whom they so directly affect. In most business houses this point is duly appreciated at its full value, and as a rule, therefore, falsifications of this description do not arise in practice; but when the employee's remuneration is not in any way based upon results, there is a tendency to lose sight of the

fact that he is still interested in those results proving favourable—first, because he may reasonably expect an increased remuneration if the business progresses; and, secondly, because if the business be found to be unprofitable, or otherwise unsatisfactory, there is at all events a risk of his services being dispensed with altogether. Under these circumstances, it is especially important that adequate precautions should be taken, partly because it would often be extremely difficult to prove fraudulent intent in connection with such cases (while immunity from a criminal prosecution must at all times remove a very effective automatic safeguard), but more particularly because many persons who would under no circumstances think of directly applying to their own use moneys belonging to their employers, would not scruple to misrepresent the position of affairs in order to avoid unpleasant consequences. Such misrepresentation may be absolute and deliberate, or it may merely arise through undue optimism (which is frequently another name for incompetence); but whatever the actual cause the result must in all cases be unsatisfactory from the employer's point of view. A typical example of falsification, arising possibly from undue optimism, is when the manager of a trading department values his stock-in-trade at balancing time at too high a figure; either because he is incompetent to estimate its true worth, or because, knowing the results of the past period have been somewhat unsatisfactory, he desires to carry forward a certain portion of the loss, and bring it in to the next period. This latter form of falsification is only one step removed from the form of fraud which suppresses unpaid invoices, and thereby allows goods to be taken into stock as assets without their cost price being credited in the Bought Ledger; but to a certain extent even this will be found to be a not altogether uncommon practice on the part of those whose honesty in other matters is unimpeachable. From one point of view, the practice of overvaluing stock-in-trade with a view to throwing losses into the next ensuing period is, of course, on a par with debiting losses, or unprofitable expenditure, to a Suspense Account, to be written over a term of years; but there is this essential difference between the two, that whereas employees when valuing the stock-in-trade are required to confine themselves strictly to the point at issue, directors and proprietors when finally settling draft accounts are reasonably entitled to look at the matter from every available standpoint.

FALSIFIED COST ACCOUNTS.

Another typical form of falsification that comes under this head, and which is very difficult of detection, may occur when the manager of a manufacturing or contracting firm is responsible for its profit-earning capacity. Upon such manager must necessarily devolve the task of estimating the cost of the work in progress, and as a rule it is difficult —if not impossible—to exhaustively verify the manager's calculations. If, under these circumstances, it should transpire that there has been a loss upon certain work completed during the period under review, there may be a danger of the loss being transferred to work in progress, and thus carried forward. A somewhat notorious case of this kind was brought to light a few years since in connection with the accounts of an important local authority. It was there found that such a system had been systematically carried on for a number of years past, with the result that whereas each contract as completed showed satisfactory results, much of the cost of the completed contracts had in point of fact been debited to those which from time to time remained uncompleted. This kind of falsification is rendered the more easy, because the records, upon the value of which work in progress is based, often form no part of the financial books. This emphasises the importance of all statistical records, which it is thought worth while to keep at all, being kept with the same care, and checked with the same amount of accuracy and sytematisation, as the financial records themselves. The importance of this precaution is emphasised by the circumstance that whereas any material falsification of the financial accounts is usually impossible without fraudulent collusion, it is often by no means a difficult matter to get statistical records passed and signed for by persons who, however careless, have no idea that they are lending

themselves to the concealment of a fraud. For example, a foreman who would on no account allow Plant to go out of his yard without a proper authority might quite conceivably—whether through carelessness or for some other reason—sign vouchers that Plant had been forwarded to one contract, when in point of fact it had been forwarded to another. Such differentiations are somewhat difficult of comprehension to those who are trained in accounts, and who realise the importance of accuracy at all points, but the fact remains that falsifications of this kind are far more common than is generally supposed. And even when they are discovered, their reprehensible nature is but rarely duly appreciated, the general view being that the whole matter is a somewhat complicated "question of accounts," upon which those who are not experts may easily make mistakes without being in any way culpable.

That the exact nature of the class of falsification referred to may be clearly understood, the following example is appended. The group of accounts given first, and marked "A," are supposed to indicate the true position of affairs; while the second group, marked "B," shows how the true position may be obscured by the passing of improper entries, which in the absence of careful supervision may readily remain undetected.

EXAMPLE "A":

Dr. CONTRACT No. 1. *Cr.*

		£ s d			£ s d
1900	To Wages	3,172 0 0	1900	By Contract Price	6,000 0 0
	,, Materials and Plant issued	3,400 0 0		,, Materials and Plant returned ..	160 0 0
				,, Loss	412 0 0
		£6,572 0 0			£6,572 0 0

Dr. CONTRACT No. 2. *Cr.*

		£ s d			£ s d
1900	To Wages	1,620 0 0	1900	By Balance down..	3,691 0 0
	,, Materials and Plant issued.. ..	2,071 0 0			
		£3,691 0 0			£3 691 0 0
1901	To Balance down..	3,691 0 0	1901	By Contract Price	6,150 0 0
	,, Wages	1,848 0 0		,, Materials and Plant returned ..	307 0 0
	,, Materials and Plant issued	975 0 0		,, Loss	57 0 0
		£6,514 0 0			£6,514 0 0

Dr. CONTRACT No. 3. *Cr.*

		£ s d			£ s d
1901	To Wages	813 0 0	1901	By Balance down..	2,285 0 0
	,, Materials and Plant issued.. ..	1,472 0 0			
		£2,285 0 0			£2,285 0 0
1902	To Balance down	2,285 0 0			

EXAMPLE "B":

Dr. CONTRACT No. 1. *Cr.*

		£ s d			£ s d
1900	To Wages	3,172 0 0	1900	By Contract Price	6,000 0 0
	,, Materials and Plant issued ..	3,400 0 0		,, Materials and Plant returned ..	760 0 0
	,, Profit	188 0 0			
		£6,760 0 0			£6,760 0 0

Dr. CONTRACT No. 2. *Cr.*

		£ s d			£ s d
1900	To Wages	1,620 0 0	1900	By Balance down	4,291 0 0
	,, Materials and Plant issued ..	2,671 0 0			
		£4,291 0 0			£4,291 0 0
1901	To Balance down	4,291 0 0	1901	By Contract Price	6,150 0 0
	,, Wages	1,848 0 0		,, Materials and Plant returned ..	1,007 0 0
	,, Materials and Plant issued ..	975 0 0			
	,, Profit	43 0 0			
		£7,157 0 0			£7,157 0 0

Dr. CONTRACT No. 3. *Cr.*

		£ s d			£ s d
1900	To Wages	813 0 0	1901	By Balance down	2,985 0 0
	,, Materials and Plant issued ..	2,172 0 0			
		£2,985 0 0			£2,985 0 0
1901	To Balance down	2,985 0 0			

NOTE.—The above example shows falsification by over-crediting Contracts completed for the value of Materials and Plant returned, a corresponding sum being debited to works in progress. The like result might be achieved by debiting Cost to the wrong account.

FALSIFICATION BY DIRECTORS.

So far the possibilities of fraud on the part of ordinary employees have alone been considered; but, in connection with the accounts of Companies, it is important to bear in mind that the position of a Managing Director, and sometimes even of a Board of Directors, is somewhat analogous to that of the manager of a private undertaking. The continuance of a Director's appointment is—to some extent, at least—dependent upon the continued profit-earning capacity of the undertaking; if, therefore, there is a falling-off in profits, there is a possibility that a tendency may arise to strain points in connection with accounts, with a view to making the apparent profits larger than the real profits. Within limits, this tendency may be permissible, for it is the recognised custom in the case of sound business undertakings to somewhat over-estimate such items as provision for Bad Debts, and the like, in profitable years, with a view to creating a Secret Reserve available in times of need. When, therefore, the need arises, it is perfectly legitimate to fall back upon any Secret Reserve that may be in existence. In practice, the only way of having recourse to a secret reserve is to under-estimate the expenses (or losses) for the current period; and so long as they are not so greatly under-estimated as to turn the secret reserve into a minus quantity, this course is

permissible on the part of directors, although it would not be permissible on the part of subordinates.

DEFALCATIONS.

Turning now to the more direct forms of falsification, which have for their object the concealment of actual misappropriation, the nature of these false entries will (as might be expected) depend largely upon the exact form of misappropriation. As a rule, the misappropriation will take the form of money, but not necessarily, and it is important to bear in mind that an exhaustive check upon all receipts and payments is not always sufficient to afford an effective safeguard against all possible misappropriation. Taking, however, misappropriations of money first, these may take the form either of suppressing receipts, or of creating fictitious payments. With a proper system of internal check, coupled to an adequate system of bookkeeping by double-entry with self-balancing Ledgers, the suppression of cash received cannot reach serious proportions without detection. So far as Sold Ledger Accounts are concerned, if the various Sold Ledgers are regularly balanced and independently checked, and if the Sold Ledger clerks have not the handling of the Sold Ledger cash, there is little or no risk of any peculation under this heading. So far as Cash Sales are concerned, it is usually practicable to devise a system which will render impossible the abstraction of moneys received under this heading without considerable collusion on the part of the employees. The risk of fraud in this direction is thus, as a rule, limited to unusual receipts on the one hand, or, on the other hand, to comparatively small undertakings which do not employ a sufficient staff to enable an effective system of internal check to be organised. In both these cases the best, and perhaps the only effective, safeguard is for the principal in the case of a private concern, or the Secretary (or Managing Director) in the case of a company, to himself devote sufficient personal time to the matter to enable him, in conjunction with the professional auditors, to establish a complete system of check in all departments. It may be mentioned in passing, however, that serious frauds by way of omitting to account for cash received rarely occur, save when the system of accounting employed is quite primitive. If the books be kept by single-entry, there is undoubtedly a somewhat serious risk that such omissions may remain undetected, for under such circumstances it is impossible to apply the check of balancing the Ledgers, either separately or collectively, and consequently moneys received from customers, but misappropriated, may quite conceivably be credited to the customers' accounts without being debited to Cash.

FICTITIOUS PAYMENTS.

Misappropriations by the creation of fictitious payments may, in the first place, be rendered extremely difficult by the adoption of a hard and fast rule that all payments, other than by Petty Cash, must be made by cheque, the person signing the cheques being responsible that the account is actually due, and that the cheque is so drawn as to (so far as possible) ensure its being only cashed by the persons entitled to it. "Bearer" cheques and "open" cheques should never be drawn without a sufficient explanation being obtained as to why this exceptional form of payment is necessary, and as an additional safeguard all "crossed" cheques should be marked "not negotiable," and, if for large sums, wherever practicable crossed "specially" to the bank of the payee. There should be a regular system in force for passing accounts for payment, rendering at least two persons responsible for the fact that the goods have been received, or the work performed, in respect of which payment is to be made, and at least two members of the counting-house staff responsible for the arithmetical accuracy of the account, and for the fact that the cheque put forward for signature agrees with the corresponding Personal Account in the Bought Ledger. A cheque should never be signed without these precautions being first adopted, and (save under exceptional circumstances) it ought to be possible to produce to the persons who are called upon to sign cheques accounts from the various creditors, showing that the amounts of such cheques are actually claimed by them respectively. If these precautions be adopted,

the creation of fictitious payments is practically impossible, but with some undertakings such formalities could not be carried out in their entirety. For example, Banks have to pay large sums in cash, and it is not practicable for them to do so on anything better than the security of one cashier. Bank frauds are, however, of somewhat rare occurrence, and as all Bank employees are required to give guarantees for comparatively large sums, the risks incurred by a Bank that works upon a reasonable system of internal check are not serious. Some few years since, however, a somewhat notorious case occurred, in which a Bank lost large sums of money through the dishonesty of a clerk who was *not* entrusted with the handling of any moneys or securities. This particular case is thus useful, as showing that it is not merely cashiers whom it is important to supervise. Here a clerk in charge of a Customers' Ledger forged cheques for large amounts in the name of one of the customers, which were duly paid through the Clearing House, but never debited by him to the account of the customer. The continuance of these frauds was, however, only rendered possible by the omission to provide some of the most usual and obvious safeguards. In the first place, the delinquent remained in undivided control of the same Customers' Ledger over an extended period, whereas an obvious precaution is to continually change the work devolving upon each of the various members of the staff; and, in the second place, he was, it appears, able to conceal the fact that his Ledger did not balance by making entries in a Journal which was not under his keeping, whereas every effective system should distinctly allocate the various books among the different members of the staff—not merely making each responsible for his own books, but also making it an invariable rule that *no one else* shall make any entries in those books. A clerk in charge of any book of account, whether a Cash Book, Journal, or Ledger, should be made responsible for the accuracy of that book as a whole, and also for every entry made therein. In the case of a Journal particularly, it is difficult to understand how fraudulent and improper entries could have been made from time to time without it being someone's business to verify those entries as being proper and duly authorised.

Fraudulent misappropriations are capable of being divided into classes upon yet another basis, and an examination of them from this new point of view will probably be found helpful. The actual misappropriation of assets, whether cash or otherwise, directly results in a corresponding amount of loss to the undertaking. When, therefore, the books come to be balanced, that loss must either fall against Revenue or be taken into the Balance Sheet. If it falls against Revenue, the Net Profits will be directly reduced to a corresponding extent; accordingly there is a distinct limit, beyond which misappropriations cannot be carried without their effect upon the profits being apparent. Consequently one frequently finds in practice that fraudulent entries are made in the books, with a view to concealing the loss by taking it into the Balance Sheet instead of into the Profit and Loss Account; that is to say, by some false entry the book value of the assets brought into the Balance Sheet is shown at a figure in excess of their proper valuation. A detailed examination of all the assets brought into the Balance Sheet would invariably result in the detection of such false entries. It is not always possible for such a detailed examination to be made by the professional auditors in the case of large concerns, but where—owing to the magnitude of the undertaking—it is unreasonable to expect so much to be done by the professional auditors, the bookkeeping staff can—with a reasonable amount of intelligent organisation—be so employed as to enable the various Ledger Accounts purporting to represent assets to be fully verified in the utmost detail.

THEFTS OF STOCK, &c.

Passing on to forms of misappropriation other than of cash, the most common of these is a theft of Stock-in-Trade, or Raw Materials, including Loose Tools. Unless the Stock-in-Trade be possessed of considerable intrinsic value, detailed Stock Accounts cannot be kept, and under such

circumstances the only precautions that it is possible to adopt against this form of fraud are a careful actual inspection at frequent intervals by departmental managers, and the test which the periodical accounts afford of the percentage of gross profit actually realised, as compared with the percentage that might fairly be expected. It is not usually possible to go further in this direction than to hold the head of the department responsible for a certain percentage of gross profit, leaving him to bear the blame if that percentage be not realised either through careless buying or leakage. In the same way, with regard to Materials and Tools, foremen and heads of departments can (if they be competent) reduce the risk of losses under these headings to a minimum; if, therefore, competent persons be employed, and they be held responsible for the results that they achieve, it is probable that those results will be quite as satisfactory as though the most complete system of Stock and Stores Accounts could be devised and carried out in actual practice. As a rule, however, more or less incomplete Stores Accounts should be kept, to assist the persons held responsible in their supervision; and in the case of really valuable stocks (as, for example, jewellery), complete Stock Accounts are, of course, absolutely essential.

Further, and more detailed, information on this interesting subject will be found in a handbook entitled "Fraud in Accounts," which forms Vol. XXX. of "The Accountants' Library" series (published by Gee & Co., 34 Moorgate Street, E.C., price 3s. 6d. net).

CHAPTER XVIII.

BOOKKEEPING WITHOUT BOOKS.*

UNTIL comparatively recently the science of systematically recording business transactions was invariably described as "Bookkeeping." Now, however, that further developments of that science have to an increasing extent substituted the use of loose sheets, or cards, for pages in bound books of account, the term "bookkeeping" appears to be too narrow to cover the whole subject, and accordingly the word "accounting" is coming into more general use. Bookkeeping without books is very commonly supposed to have originated in the United States of America, and until about the beginning of the present century the necessary appliances for keeping accounts upon such a system were only manufactured there. The system is, however (so far as can be traced) not of American but of Chaldean origin, it being the earliest known form of accounting, and perhaps the earliest ever employed. This, however, is the less surprising when it is borne in mind that the science of accounting, in some form or another, was in general use long before bound books, or even paper, were thought of.

The Chaldean system of bookkeeping appears to have been very much upon the lines employed in public libraries at the present date. That is to say, a certain number of receptacles represented one class of accounts, and a certain number of portable articles another class of accounts, or transactions. The Chaldean worked this principle by supplying a wide-mouthed jar to represent the account with each person with whom he did business, placing in such jars from time to time tablets, each of which had a peculiar significance. The contents of the jar at any moment thus showed the balance of the account. The twentieth century librarian applies the same principle in a slightly different manner, using frames or sets of pigeon-holes instead of jars, and cards instead of tablets. These enable him to tell almost at a glance what persons have taken books out of the library, and what books are from time to time in their possession; and he thus carries the principle further than the Chaldean in all probability attempted, in that by the same mechanism he keeps a detailed set of Personal Accounts, and also a detailed set of Stock Accounts. A similar system might with great advantage be substituted for many of the elaborate bookkeeping methods employed for keeping tally of casks, packing cases, and other empties which are of sufficient value to render an accurate system of accounting imperative.

It has throughout the course of this work been assumed that the reader is well acquainted with the general principles of ordinary double-entry bookkeeping, and may therefore be taken to know that under the ordinary system of keeping accounts in books each transaction is in the first place recorded in a book of first entry, and that afterwards that record is again copied into the Ledger. If the transactions are complicated, the number of separate times that the record of the transaction has to be copied out is increased accordingly, with the result that in a concern of any importance a very large staff is kept exclusively employed in so multiplying copies of the record of transactions. The aim of the system of bookkeeping without books—which, for the sake of conciseness, may be referred to as the "Slip System"—is to (as far as possible) do away with the necessity for this continual recopying, by so

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framing the original record that it may, in turn, serve all the purposes that are ordinarily served by books of account.

If this system be adopted in its entirety it is sometimes practicable to obviate the necessity for any manual copying at all. Thus a carbon facsimile of an invoice for goods sold may in the first place perform the functions of a Day Book, and afterwards those of a Ledger Account; while in the same way the counterfoil of a Cheque Book, or of a receipt, may enable the Cash Book entries and Ledger postings of Cash to be dispensed with. The arrangement of systems of bookkeeping is, however, at all times very largely a matter of compromise between principle and convenience, and consequently it may often be thought undesirable to carry the Slip System to this extreme, while yet appreciating the advantages of employing it up to a point. The question as to how far it may be desirable to employ the Slip System, and as to how far it is better to retain what may conveniently—although inaccurately—be described as the "old" system of recording transactions in bound books of account, is a matter which can, in each case, be only finally determined after carefully considering all the attendant circumstances. No prudent accountant would think of laying down any general conclusions upon such a matter. In the present work, therefore, all that can usefully be attempted is to describe the possible applications of the Slip System to accounts, to indicate the manner in which these applications may be combined if thought desirable, and to point out in general terms some of the leading advantages, and most important disadvantages, that are likely to be experienced in consequence.

SLIP DAY BOOKS.

One of the most useful applications of the Slip System is undoubtedly that which does away with the necessity of copying every invoice sent out into a book of account, from which postings into the Sold Ledger have afterwards to be made. The chief disadvantages of the bound Day Book are the time occupied in compiling it, the great difficulty in dissecting the entries when dissection is necessary, and the risk that the entries actually made in the Day Book will not be a true copy of all the invoices forwarded to the customers. All these disadvantages are obviated by the Slip Day Book. The application of the system will naturally vary to some extent according to circumstances, but rudimentary examples have been in general use for a great number of years. Probably the commonest is to be found in most retail shops (*cf.* p. 34), where the counter-man makes out invoices for whatever he sells upon forms which, by means of a carbon sheet, enable an exact reproduction of the invoice handed to the customer to be retained. Simultaneously he enters in a summary at the end of his book against the corresponding distinctive number the total of each invoice, and these summaries should therefore show the total of his sales from time to time. The total shown by these summaries may be used as a check upon the Cash received by the Cashier (for Cash Sales and Credit Sales would be entered in different books, printed upon distinctively coloured paper) while, if the forms are systematically put away in consecutive order, there is frequently no occasion for any detailed entries to be made in the Day Book in connection even with Credit Sales. The work of the Dissecting Clerk is also greatly facilitated, the actual dissection being to a large extent readily performed by *sorting out* the duplicate invoices into groups according to the selling departments that have issued them.

This system, as has already been stated, has been in very general operation for a number of years past; if, however, it be slightly amplified, its utility can be greatly increased. A somewhat larger form of invoice will usually be found desirable, and it is often convenient that the Invoice Form Books should be arranged upon the lines of a large Cheque Book, so that three or four forms may appear upon an opening. Unlike a Cheque Book, however, this book should be so arranged as—by the aid of a carbon sheet—to take a duplicate of all entries made upon the invoice form, which duplicate is also detachable, and should be sent to the counting-house at the same time that the original is despatched with the goods. The form of such a book may be readily gathered from the following—

EXAMPLE:

MANIFOLD INVOICE BOOK

UPPER SHEET (on thin white paper).

..................................19.........

M..

Bought of X. Y. Z. & CO.

No. A 001.

UNDER SHEET (on thicker paper, tinted according to Department, to facilitate dissection).*

..................................19.........

M..

Bought of X. Y. Z. & CO.

No. A 001.

S.L. Fo.........
Sales / Abst. Fo.......
Dissection Fo. ...

* In many cases it will be found a great advantage to multiply the number of carbon copies, so that the various necessary processes may be performed simultaneously in the different departments. If one copy be permanently retained in the book, all the advantages of a bound Day Book will be secured, combined with the great conveniences of the slip system. Thus, copies may be produced as follows:—(1) Invoice for Customer, (2) slip for Ledger Clerk, (3) slip for Packing Department (4), slip for Dissecting Department, (5) slip for Order Office, (6) slip for Counting House, (7) permanent copy to remain in Invoice Book. To avoid error, each should be distinctively tinted.

In addition to the advantages already enumerated, the employment of the above form of Invoice Book possesses another material advantage over the old-fashioned system of Day Book—namely, that it is absolutely impossible to prepare an invoice upon the properly headed form without at the same time bringing into existence a copy of such invoice. This effectively disposes of a risk that undoubtedly exists in practice—namely, that of inadvertently despatching goods accompanied by an invoice, without having first copied a record thereof in the Day Book.

It will be noted that the importance of using headed invoice forms, in the first instance bound up in book form and distinctively numbered, has been emphasised in connection with the employment of Slip Day Books. It not infrequently happens that when a new idea—in itself excellent—is introduced, it is rejected without consideration in some quarters, and in others is indiscriminately accepted and applied without discretion. The Slip System has been no exception to this rule. Many business houses have abandoned the use of book Day Books without substituting anything equally effective in

their stead; that is to say, the practice prevails in many quarters of utilising carbon copies of the original invoice as slips, without taking the elementary precaution of seeing that carbon copies are preserved of *all* invoices prepared. The only possible way of making sure that such carbon copies are invariably kept is by having all invoice forms consecutively numbered, and taking steps to see that the duplicates afterwards forwarded to the counting-house for entry are in point of fact numbered consecutively. In the great majority of cases these absolutely necessary precautions can be best observed by employing the book form of duplicate invoices described above; but provided all invoice forms are consecutively numbered before being issued to the entering clerks, and provided there be an adequate system of control, it is not absolutely essential that the forms should be bound up. It need hardly be added that loose forms possess the material advantage that they more readily adapt themselves to the requirements of ordinary typewriters.

It will be seen that the form given on the preceding page contains certain reference spaces, the object of which has not yet been explained. These are required when it is decided to dispense even with a summarised form of bound Day Book, and to make the postings direct from the duplicate invoice slips. The counterfoils of the Invoice Book thus supply the functions of the Day Book so far as may be necessary—that is to say, they enable the total Sales from time to time to be readily ascertained for balancing purposes, and for the purpose of checking the dissection of such Sales, which doubtless takes place simultaneously. It is, of course, important that the slips should be carefully filed away in order, and that each Ledger entry should contain a reference which would enable the corresponding slip to be readily turned up at any moment when required; but so long as these precautions are attended to, no inconvenience will as a rule be found to result from posting direct from the copy invoice. The system possesses the material advantages of saving time, and of saving the risk of error in copying from the invoice into the Day Book—a matter which is the more important inasmuch as such an error would not disturb the balancing of the Ledger.

This application of the Slip System has been for a great number of years employed by banks in connection with their customers' accounts, which are invariably posted up direct from the paying-in slips and cheques. An additional advantage of the system is that, if the original record contains bad or ambiguous figures, inasmuch as it has to pass through several hands, there is but little risk of those figures being misread in the first instance, and the error afterwards perpetuated throughout all the books, because each entry is made direct from the original source. Practically the only disadvantage of the system is that reference to loose slips at a subsequent date might possibly occupy a little more time than reference to the Day Book. As a rule, however, such references would be sufficiently rare to make the point one of minor importance; while in those exceptional cases where, owing to the nature of the transactions, references are likely to be frequent, it would probably be thought better in any event to post full details of the entries into the Ledger, in which case the original slip would only have to be referred to if a dispute arose. Such cases may, however, be sometimes met by a further extension of the Slip System, under which the original invoice does duty for a Ledger Account as well.

SLIP LEDGERS.

Where it is desired to dispense with bound Ledgers as well as bound Day Books, and to make the original invoice slip serve all purposes, the underneath (or duplicate) slip—or, where manifold copies are produced, *one* of the slips—requires to be slightly modified, and may take the following form:—

EXAMPLE:

....19........

Name ....

No. A cco.

	Particulars	Details			*Dr.*			*Cr.*		
		£	s	d	£	s	d	£	s	d
	Forward ( )							*(NOTE—The space occupied by this column must not be written upon on the upper sheet. It may be utilised for advertisements of specialities.)*		
Sales Abst. Fo........										
Dissection Fo........										
	Forward ( )									

Under these circumstances the slips, instead of being sorted out into consecutive order and carefully put away, only to be referred to thereafter under somewhat exceptional circumstances, are sorted out and put away in trays or drawers, a separate space being set aside for the Personal Account of each customer. The account of that customer, therefore, instead of being comprised upon a single Ledger folio, or series of folios, consists of a considerably greater number of loose slips, each of which contains only one entry, as well as the totals of the debits and credits both before and after that transaction was recorded. The number of slips in connection with any one Personal Account might under these circumstances easily reach inconvenient proportions; but this difficulty is to a very large extent obviated by providing two sets of filing mechanism, one of which contains all records of accounts that have been settled, leaving only the unsettled transactions in the filing frame that is being used and added to daily. The advantages of this development of the system are its absolute directness, and the impossibility of errors arising through incorrect copying. It is not particularly suitable where the number of transactions with each individual customer is likely to be very considerable, but it is of particular value in a business where the number of Sold Ledger Accounts is of necessity very large, although but comparatively few can be described as accounts of regular customers. The idea also provides a solution to what is often a most troublesome problem—namely, the most convenient method of dealing with small outstanding accounts in connection with cash businesses that are sometimes obliged to give credit to a known customer for a few days. There being no regular credit system, the Sold Ledgers will be non-existent; but a Sold Ledger *pro tem.* can be readily compiled from those invoice slips which represent unpaid accounts from time to time. By filing these slips upon a proper system, and dealing with them as transactions in accounts, it becomes possible to reduce the record to a proper and systematic basis; whereas, no matter how carefully memoranda may be preserved until it is supposed that the occasion

for further keeping them has gone by, there is always a likelihood of some oversight occurring. Moreover, such memoranda would at the best be of but little use for purposes of evidence in a Court of law, when it is, of course, open to the other side to call for the plaintiff's accounts dealing with the subject matter of dispute.

A very excellent device, framed upon these lines, has been produced by the Trading and Manufacturing Co., Lim., Temple Bar House, Fleet Street, E.C., from whose catalogue the following description is extracted:—

"**The Small Accounts Keeper** (illustrated below) is a simple, convenient, labour-saving, and economical device for keeping accounts of a small or transient nature.

EXAMPLE:

"There is, perhaps, no greater difficulty in a retail business than the keeping in order of small accounts which are really not worth opening a Ledger Account for. Many are so small that a page of a Ledger or Account Book is wasted, or the items are so unimportant, or are paid so quickly, that booking into Memorandum or Day Book and posting to a Ledger is useless and altogether unnecessary labour. Besides that, your customer 'wants a bill.' With this system, the whole job is done at one writing.

"You cannot possibly mix your items, there being one account form for each customer, and the system is practically self-indexing.

"Where desired, they can be posted up from a Day Book; but this is hardly necessary, except in a large business, or for purposes of checking.

"It will be found just the thing for customers who buy 'a few articles till Saturday night,' or 'till next week,' or 'till they pass again your way,' or 'come into the town again.'

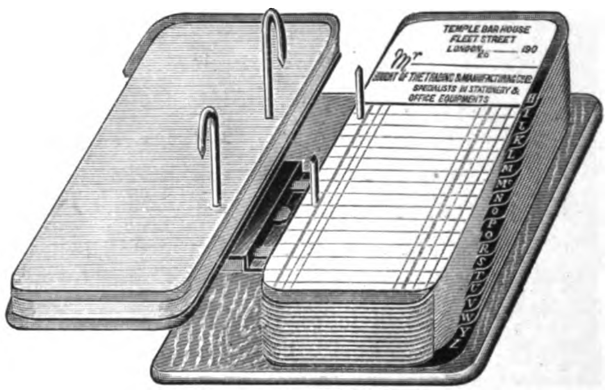
"They perhaps leave a small balance over, or say 'don't charge it; shall send it in.' Of course, they forget, but you can save loss by jotting it down on an 'S.A.K.' form.

"It consists of a thoroughly compact and substantially made file, having a patent swing twin-arch clip, fixed on a well-seasoned hard-wood back; top cover-board well covered with cloth, and having eyeletted holes to prevent wearing in turning it over the arches.

"Indexing divisional sheets, made of glazed press-board, plainly lettered, can be supplied in 12's or 24's (one letter or two letters to each sheet), as may be considered necessary.

"Billheads or account forms are neatly ruled and printed on special paper in high-class style; size 10¼ in. by 5¼ in., and are accurately punched to fit the twin arch. They are also made so that a duplicate copy can be taken at one writing, if desired.

EXAMPLE:



"Suppose a party named Jones buys an item, and, for any reason, does not pay. Take an account form and fill in name, and, if necessary, the address; fill in the item, swing divisional at J, open file and put the form on the uprights. When that party, or any other who may have had an account opened in the same way, has more goods to be charged, place them on the same sheet (without removing it from the file), and when they desire to pay, *the account is ready*, and can be opened up and removed in an instant. Think for a moment what an immense saving of labour and time this would be, instead of having to 'wade through' leaves of a book or a stack of account forms. By placing accounts in absolutely alphabetical

order, according to the vowel system (James before Jenkins, Smith before Smollett, and so on), the accounts are self-indexing.

"Any bill can be removed, or another inserted, in a moment, without disturbing the rest.

"This system will be found comparatively inexpensive, as Counter or Rough Day Books are dispensed with, besides the immense saving of time and labour."

It has been thought best to reproduce this explanation exactly in the form advanced by the manufacturers, but it need hardly be pointed out that the "small accounts keeper" can only be used in this way where the books are kept by single-entry —a method of accounting that can never be recommended, even for the smallest undertakings. The principle, however, can be readily utilised while observing all the rules of double-entry, if the Invoice Slips referred to on page 217 and the Cash Received Slips mentioned on page 220 be filed as and when compiled, and if the rule be rigidly adhered to of making *no addition whatever* to the record, save by adding further slips thereto.

The above remarks with regard to Slip Day Books are equally applicable to the initial record of all transactions other than Cash. In most businesses it will not be practicable to deal with any transactions other than Sales upon the Slip System, but individual cases may easily arise in which a further development of the system may be desirable. In this connection, it may be pointed out that the manner in which most solicitors keep their draft bills of costs contains in it the germs of the Slip System, and is capable of further amplification upon the same lines. It is not as a rule practicable to apply the system to Purchases, because the basis of the record in this case is an invoice received from outside, which naturally is not in the prescribed form suitable for such a purpose. It would not be impossible to annex slips to all invoices, as received, which would supply the omission; but bearing in mind the fact that such invoices would be of all shapes and sizes, it is questionable whether it would often be found desirable to make the attempt, more especially in view of the fact that the number of Personal Accounts in connection with the Bought Ledger is never very great, and the demand therefore for labour-saving contrivances is thus less felt in this department than in connection with Sales.

SLIP CASH BOOKS.

Under this heading, as has already been foreshadowed, may be placed those developments of the Slip System which obviate the necessity of keeping subsidiary Cash Books for the sake of recording detailed postings into Trade Ledgers. Under all circumstances, it would doubtless be desirable to keep the General Cash Book as a bound book of account; but in a concern of any magnitude, various subsidiary Cash Books would ordinarily be employed to record the entries affecting each of the several Trade Ledgers, and the Slip System may often be usefully applied with a view to reducing work and saving unnecessary recopying in connection with these records.

Dealing first with Cash Received, as in the case of the old-fashioned Day Book, there is a risk of entries being omitted although goods have been sent out, so in the case of Cash is there a risk of money being acknowledged without the Cashier being debited with a corresponding sum. This risk is (to some extent at least) obviated by substituting carbon duplicate receipts for counterfoil receipts. The safeguard is, of course, not infallible, because such records, being written in pencil, might be tampered with subsequently; but this risk may be reduced to a minimum if careful supervision be insisted upon. The objection to pencil entries on the ground that they are liable to fraudulent alteration is, however, materially reduced if suitable pencils and carbon sheets be employed: it is not impossible to obtain sheets which cannot be altered without the fact being at least as apparent as the erasure of an entry in ink. In the case of an undertaking dealing with customers, some of whom may be of questionable standing, it would be prudent not to altogether overlook the risk that the *customer* might fraudulently alter the receipt that had been handed to him. This again may be obviated if suitable precautions

be taken. If a suitable pen be employed the record on the upper sheet may be written in ink and yet produce a carbon duplicate underneath, or indelible pencils may be used; but the fact that the under sheet would be in all cases a facsimile of the upper is as a rule a sufficient check, from whichever point of view the matter be regarded. Some prefer to issue the carbon duplicate to the customer, and retain the original. This plan at least *assures* the existence of a duplicate record in the office after the invoice, receipt, &c., has been despatched.

The following form of Receipt Book will fully explain the general idea in connection with this part of the system.

EXAMPLE:

FORM OF THE CASH RECEIVED BOOK.

Counterfoil for Totals only.	Detachable Slip for Ledger Clerk.	Gummed Receipt Form (Printed on reverse side to fold over).
001	001 .... 19......	001 .... 19......
	S.L. Fo..........	Received from .... 1d.
	....	....
	Cash £ : :	Cash £ : : For X. Y. Z. & Co.
	Dis. £ : :	Dis. £ : : ....
002	002	002

In its most rudimentary form this system will be so applied that the carbon duplicates (which are facsimiles of the actual receipts issued to customers) are detached from the Receipt Book and handed to the Ledger clerks, to be posted by them to the Personal Accounts of the various customers. The counterfoils in the Receipt Book will enable a total of Cash Received to be arrived at which will serve the double purpose of enabling each Sold Ledger to be balanced, and of checking the cash debited in the General Cash Book as having been actually received from customers. If, however, the system be developed further (as previously explained) so that the original slips are employed to take the place of Ledger Accounts, then—like the Day Book slips—the duplicates must be somewhat altered in form, and will bear the same relationship to the above form that the form on page 215 bears to that shown on page 217. It need perhaps hardly be pointed out that, if these slips are to be used in conjunction with the duplicate invoices as constituting a Slip Ledger, it is important that the two sets of slips should be of uniform size, in order that they may be readily filed away together, and that they should be printed upon distinctively coloured paper.

It is unnecessary to again go into the question of the relative advantages of the "old" and "new" systems at this point, as the matter has already been referred to in connection with the development of Day Book Slips into Ledger Accounts (page 215). It may be added, however, that it is very possible to over-estimate the disadvantage of receipts given from carbon books, and therefore in pencil. The possible risk that they might be fraudulently altered by the customer may, it is thought, be left out of account, because—apart from the evidence of the customer's cheque—the fact that a duplicate can be produced that *ought* to be an exact facsimile of the original reduces this risk to a minimum. The risk that the duplicate may be fraudulently altered to conceal a deficiency on the part of the Cashier is a contingency which, in the first place, will only seriously arise if the Cashier had control of the duplicates (a contingency that ought never to be possible); while, in the second place, given these undesirable conditions, the more common form of counterfoil receipt, although written in ink, affords even less protection than the carbon duplicate variety, for with the former there is nothing to prevent the body of the receipt and the counterfoil having been made out for different amounts *ab initio*, whereas with the carbon variety an alteration is a *sine quâ non* before any discrepancy is possible. It is, perhaps, just conceivable that the upper sheet might be filled up without any carbon sheet underneath, and the under sheet subsequently filled up by writing direct upon the carbon, but such irregularities as these would be too dangerous to be likely to occur in any well ordered office where a regular system of supervision applied. In the absence of supervision, irregularities of all kinds are, of course, not merely possible, but to be expected; in such cases, however, their occurrence must in fairness be attributed, not to the system of accounting employed, but to the lack of system in connection with the supervision. It may be added that, if thought desirable, additional "manifolds" of receipts may be provided, *e.g.*, to supply a *confirmation* to be forwarded to the customer by someone other than the man who made out the receipt, to provide a detailed return of cash received to the chief cashier, &c. &c.

Passing on to Cash Payments, a book containing particulars of remittances can be readily so framed (upon the lines already described) as to form the basis of postings to the debit of Ledger Accounts, without necessitating the intervention of a Bought Ledger Cash Book; and, if thought desirable, such a book might be further extended so as to include the actual cheques themselves, although these would of necessity have to be written in ink, and it would be well therefore to so arrange the form that it is unnecessary to retain a carbon duplicate of this portion. It may be pointed out, however, that with most concerns Bought Ledger payments would not be so numerous as to make this particular development of the Slip System specially advantageous, while expenditure which had to be posted to the debit of Nominal Accounts would, it is thought, in all cases be better recorded upon the "old" system, through the medium of books. There is an obvious advantage to be gained by the application of the Slip System to Sold Ledger Cash, because it reduces to a minimum the risk of money being received and acknowledged upon the proper form without being afterwards duly accounted for. In the case of Bought Ledger Cash, however, and other payments by cheque, the counterfoils of the Cheque Book (which are themselves a rudimentary form of Slip System) afford a sufficient safeguard against omissions.

ALPHABETICAL CARD LEDGERS.

With the ordinary bound Ledger, a page—or a certain number of pages—is in the first place set aside for each of the various accounts, and if the space so originally provided be filled up before the Ledger as a whole is full, the account has to be carried forward to some other portion of the same Ledger; while eventually, when the whole Ledger has been completely filled, every account therein contained (except those which show no balance, and upon which no further transactions are expected) has to be simultaneously carried forward into a new

Ledger, opened upon similar lines. For the Alphabetical Card Ledger the following advantages are claimed:—

(1) By keeping two sets of frames for "open" and "closed" accounts respectively, the number of actual Ledger Accounts that have to be handled from time to time is reduced to a minimum, and the labour of extracting balances simplified to a corresponding extent.

(2) The record of transactions with each individual customer can be kept together, instead of being scattered over a number of different parts of a series of Ledgers.

(3) As the cards can be kept in any desired order, no Ledger Index is necessary.

(4) The time never arrives when a new Ledger and Index have to be prepared *in toto*. The Card Ledger is "perpetual."

(5) The cards being—for the sake of convenient handling—comparatively small, there is never any temptation to have recourse to the objectionable device of opening two or three accounts upon the same page.

The disadvantages are:—

(1) A card may be displaced or lost.

(2) A falsified card may be bodily substituted for one that the Ledger-keeper desires to suppress.

(3) An elaborate special ruling is impracticable upon a small-sized card.

(4) Objections might be raised to a Card Ledger, if produced as evidence in a Court of law.

It cannot be denied that under certain conditions each of these objections may assume important dimensions, and at all events they all require to be carefully considered:

(1) This is an objection which never ought to assume serious proportions in a well regulated office, although it cannot be denied that—apart from any question of fraud—the temporary loss of a card, owing to displacement, may prove extremely inconvenient. It is important to bear in mind, however, that this objection applies *only* to the Alphabetical form of Card Ledger, and not at all to the Numerical form described on page 223.

(2) Before a falsified card can be substituted for the proper one, it is necessary for the fraudulent bookkeeper to obtain access to a spare card. Under any reasonable system of internal check this would be impracticable, if each business house employs its own distinctive cards. If the Alphabetical system be employed, the name of the account should be written on the card by some disinterested person before it is issued to the Ledger clerk. If the Numerical system be employed, the same precaution may be adopted if desired, but for the reasons stated later it appears to be hardly necessary.

(3) This objection undoubtedly operates to limit the general utility of Card Ledgers, but in the nature of things it is of quite restricted application. As has already been stated, Card Ledgers are chiefly used in connection with the record of Trade Debtors' Personal Accounts, and there is no difficulty in recording all desirable detail in connection with these within the limits of an ordinary-sized card, and in practice space is often further economised by employing a Journal ruling (*cf.* page 223), so that the narration for both debit and credit entries is recorded in the same column. By this means double the number of entries can be recorded upon each card—a somewhat important matter where the postings are likely to be numerous.

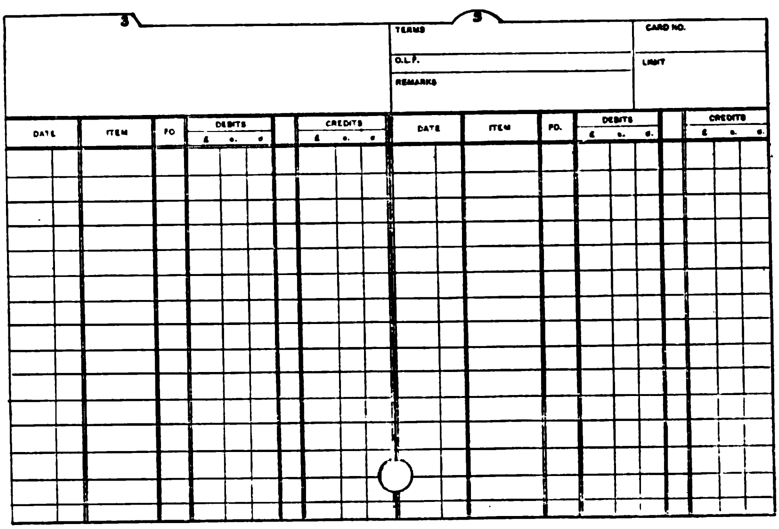
(4) It is submitted that this objection is founded chiefly upon a misapprehension. If a Ledger be produced in a Court of law as evidence, it is merely as being in the nature of a record made at the time, to which the witness who made it is entitled to refer

for the purpose of refreshing his memory, thus better insuring the administration of justice and saving the time of the Court. If the point were to be seriously contested, the only documentary evidence that could be admitted in this way would be that made when the transaction in question actually took place—*i.e.*, the records in the books of first entry. The exact form of the Ledger is thus for this purpose somewhat beside the point, but, however that may be, it is submitted that should the necessity arise to produce any particular Ledger Cards in Court, it is far more convenient to produce the separate cards actually relating to that account than a number of heavy books; and this convenience will be felt not merely by those attending the Court, but also by those remaining in the counting-house, whose work will under these circumstances not be at a standstill because the Ledger is perforce away from the office. (The Loose-Leaf Ledger, of course, also possesses this same advantage.)

NUMERICAL CARD LEDGERS.

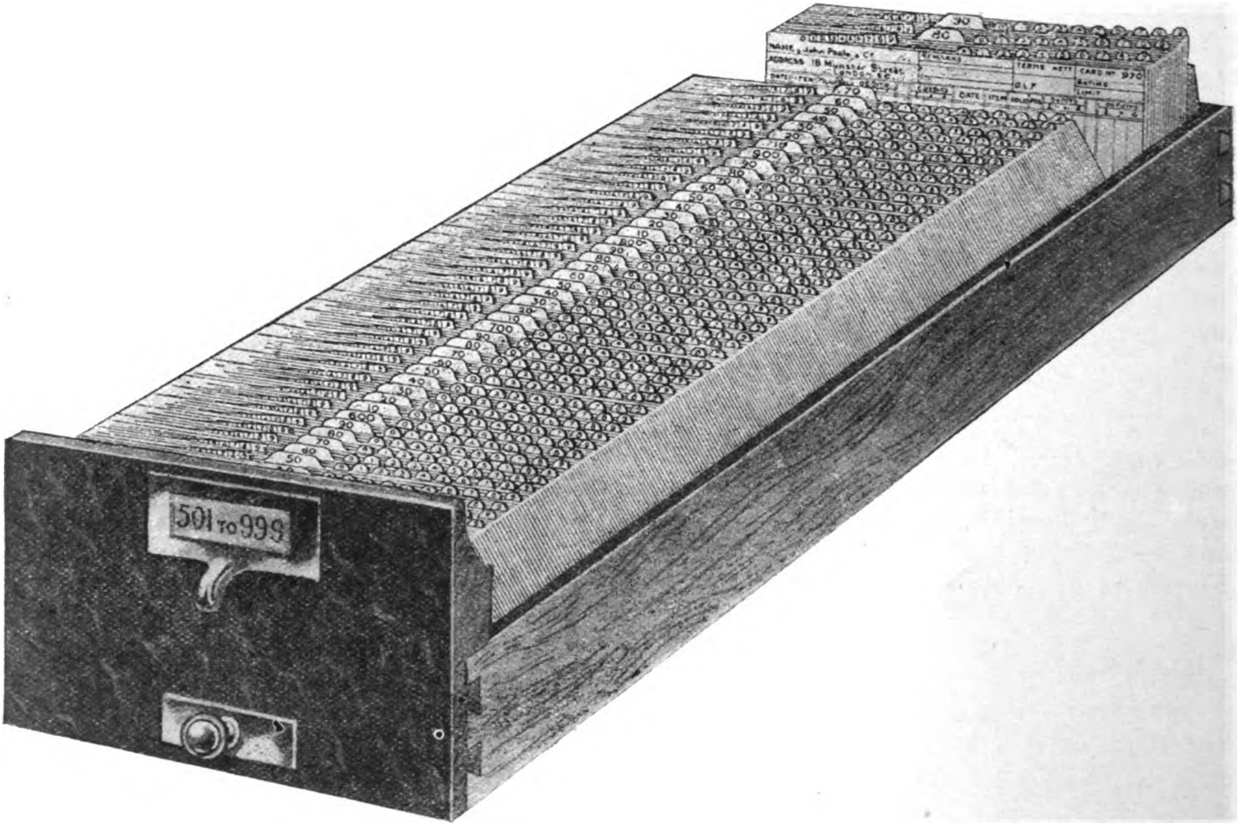
Since the first edition of this work was published another, and greatly improved, form of Card Ledger has come into use—namely, that framed upon the numerical system. Under this system two cards are used for each account, the one a Ledger card, provided with a "progressive shoulder" and a "tab," and the other an Index card. On these two cards are written the name and address of the customer and the number allotted to him. The Ledger Card is filed numerically, and the number on the card having once been fixed is permanent to that customer. The Index card thus remains good for all time, and the Index is permanent. The Index card is filed alphabetically in a separate frame; but if desired, of course, this frame can be made in two compartments, so that the operative and moribund accounts may be kept separate. The exact form of the Ledger Card is shown by the following example:—

EXAMPLE:



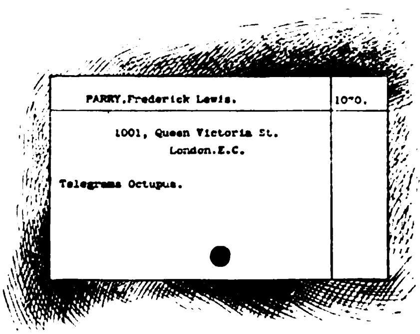
The great advantage of the numerical system is that it becomes far more difficult for a dishonest clerk to improperly substitute a new card for one he is desirous of destroying; the absence of a card can be detected at a glance, being as obvious to the most casual inspection as a missing tooth.

EXAMPLE:



As already stated, the Index cards are filed separately, and the following illustration shows the most convenient method.

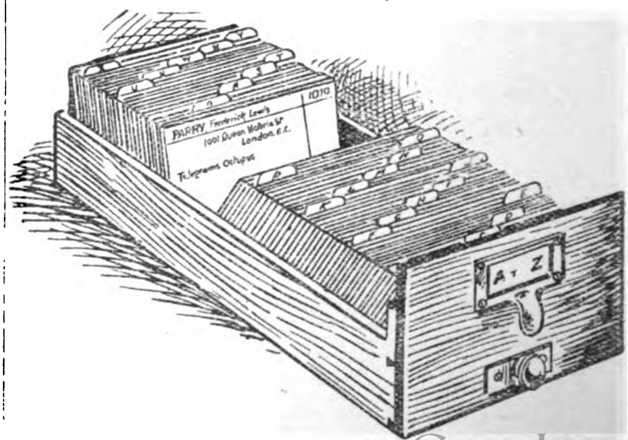
EXAMPLE:


PARRY, Frederick Lewis. 1010.

1001, Queen Victoria St.
London, E.C.

Telegrams Octupus.

EXAMPLE:



At first glance it may seem a waste of time to employ a separate Index, which is unnecessary under the alphabetical system. It may be pointed out, however, that the Index is permanent, and therefore the labour of compiling it, after the first effort, is absolutely imperceptible. Moreover, it is a distinct convenience that the names and addresses *should* be separate, so that one set of clerks may be employed in addressing envelopes while another set are preparing statements of account for submission to customers.

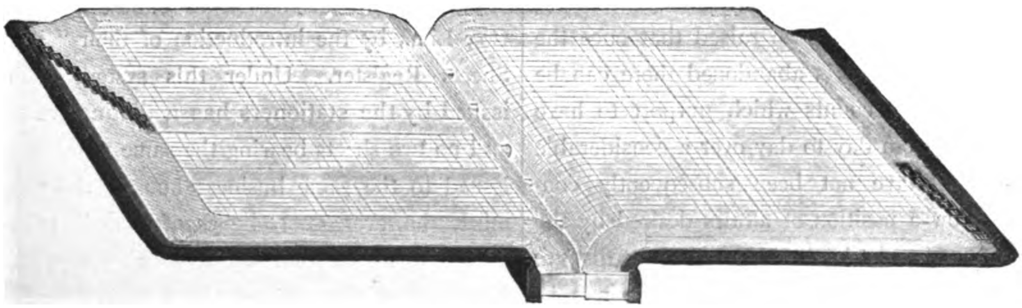
When the numerical system is employed it is no longer practicable to observe the distinction between "open" and "closed" accounts; but experience seems to show that this "advantage," which was at first claimed for the Card System, is of questionable utility, although there is no doubt something to be said in favour of extracting absolutely "dead" accounts from the series of cards that have to be handled continually. Absolutely "dead" accounts may, however, be removed, and their number allocated to the next new account that is opened; while practically the same end may be achieved by affixing a detachable "tab" to all cards showing no balance for the time being. These can then be passed over without loss of time, even although filed away with the "live" cards, and should they be revived the tab can be at once detached.

This same idea can be further extended with advantage. Detachable tabs of distinctive colours may be fixed to *all accounts which call for special attention*, either because overdue or because the customer's limit of credit has been reached, and the practical advantages of so elastic a system of "ear-marking" accounts, calling for special attention for the time being, can hardly be over-estimated.

LOOSE-LEAF LEDGERS.

Loose-Leaf Ledgers occupy a place midway between Card Ledgers and Book Ledgers. In form they are like the latter, with the important exception that the leaves, instead of being permanently bound together, are merely held by a locking arrangement, which grips them tightly for the time being. As often as may be required the Ledger can be unlocked, filled up folios removed and placed in the "Old Accounts" binding cover, and their place taken by new sheets. The advantages of the Loose-Leaf Ledger over the Card Ledger would appear to be chiefly that it can be readily manipulated by those who have had no previous experience of the Slip System; and, further, that the sheets may be of any convenient size and ruling, whereas Cards cannot very conveniently be much larger than (say) five inches by eight inches, on account of the difficulty of quickly handling larger sizes. Under some circumstances, when it is desired that the Ledger postings should contain considerable detail—as, for instance, in the case of Cost or Stock Ledgers—the advantage of being able to employ large Ledger Sheets of special ruling may be considerable. As a rule, however, for Bought or Sold Ledgers no very detailed postings are necessary. A form of Loose-Leaf Ledger is shown below—

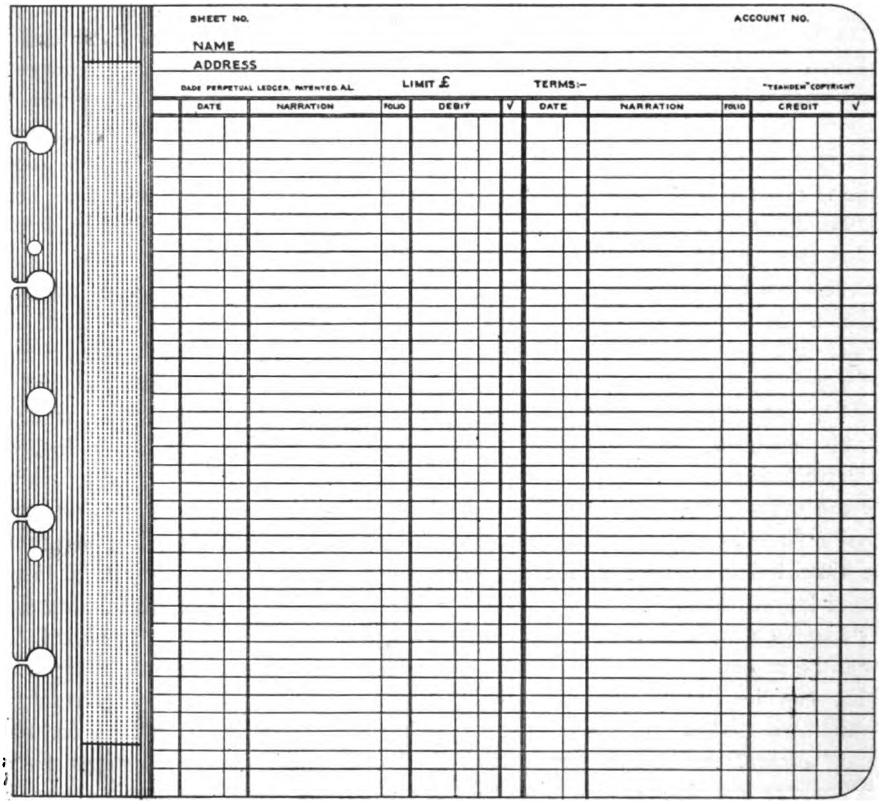
EXAMPLE:



Open ready for use. Note the index distributed through the book.

EXAMPLE

Sheet from Loose-Leaf Ledger.


SHEET NO. ACCOUNT NO.

NAME

ADDRESS

LIMIT £ TERMS:- "TEANDEM" COPYRIGHT

DATE	NARRATION	FOLIO	DEBIT	√	DATE	NARRATION	FOLIO	CREDIT	√

As with the Card Ledger, so with the Loose-Leaf Ledger the objection has been raised that once the security of bound books is abandoned there can be no assurance that accounts which purport to have been written up from day to day over a considerable period of time have not been subsequently constructed to show a position of affairs desired by the bookkeeper, or to assist in the settlement of a dispute with a customer. This objection has been met in the case of Card Ledgers by the introduction of the numerical system. In connection with Loose-Leaf Ledgers it is met by the Trading and Manufacturing Co., Lim., by the introduction of their "Teandem" Sheets Register. Under this system each sheet issued by the stationers has a distinctive number, and no two sheets bearing the same number are ever issued to the same business house: these numbers must, however, not be confounded with those allocated to customers. A Registration Sheet is provided at the end of the Ledger, in the form shown on the next page:—

EXAMPLE:

"TEANDEM" COPYRIGHT SHEET REGISTER

[illegible] REGISTERED

Column No.				Column No.				Column No.				Column No.				Column No.			
Sheet No.	Position	Sheet No.	Position	Sheet No.	Position	Sheet No.	Position	Sheet No.	Position	Sheet No.	Position	Sheet No.	Position	Sheet No.	Position	Sheet No.	Position	Sheet No.	Position
00		50		00		50		00		50		00		50		00		50	
01		51		01		51		01		51		01		51		01		51	
02		52		02		52		02		52		02		52		02		52	
03		53		03		53		03		53		03		53		03		53	
04		54		04		54		04		54		04		54		04		54	
05		55		05		55		05		55		05		55		05		55	
06		56		06		56		06		56		06		56		06		56	
07		57		07		57		07		57		07		57		07		57	
08		58		08		58		08		58		08		58		08		58	
09		59		09		59		09		59		09		59		09		59	
10		60		10		60		10		60		10		60		10		60	
11		61		11		61		11		61		11		61		11		61	
12		62		12		62		12		62		12		62		12		62	
13		63		13		63		13		63		13		63		13		63	
14		64		14		64		14		64		14		64		14		64	
15		65		15		65		15		65		15		65		15		65	
16		66		16		66		16		66		16		66		16		66	
17		67		17		67		17		67		17		67		17		67	
18		68		18		68		18		68		18		68		18		68	
19		69		19		69		19		69		19		69		19		69	
20		70		20		70		20		70		20		70		20		70	
21		71		21		71		21		71		21		71		21		71	
22		72		22		72		22		72		22		72		22		72	
23		73		23		73		23		73		23		73		23		73	
24		74		24		74		24		74		24		74		24		74	
25		75		25		75		25		77		25		75		25		75	
26		76		26		76		26		76		26		76		26		76	
27		77		27		77		27		77		27		77		27		77	
28		78		28		78		28		78		28		78		28		78	
29		79		29		79		29		79		29		79		29		79	
30		80		30		80		30		80		30		80		30		78	
31		81		31		81		31		81		31		81		31		81	
32		82		32		82		32		82		32		82		32		82	
33		83		33		83		33		83		33		83		33		83	
34		84		34		84		34		84		34		84		34		84	
35		85		35		85		35		85		35		85		35		85	
36		86		36		86		36		86		36		86		36		86	
37		87		37		87		37		87		37		87		37		87	
38		88		38		88		38		88		38		88		38		88	
39		89		39		89		39		89		39		89		39		89	
40		90		40		90		40		90		40		90		40		90	
41		91		41		91		41		91		41		91		41		91	
42		92		42		92		42		92		42		92		42		92	
43		93		43		93		43		93		43		93		43		93	
44		94		44		94		44		94		44		94		44		94	
45		95		45		95		45		95		45		95		45		95	
46		96		46		96		46		96		46		96		46		96	
47		97		47		97		47		97		47		97		47		97	
48		98		48		98		48		98		48		98		48		98	
49		99		49		99		49		99		49		99		49		99	

As each sheet is issued to the Ledger clerk its distinctive number and destination are recorded in this Register, and thereafter that Ledger Clerk is responsible for the production of the sheet bearing that registered number, and responsible for seeing that it is used for the record of transactions relating to the particular account recorded at the time of issue. The sheet given above provides for the registration of five hundred sheets, fifty in the column.

Apparently it is contemplated that this Sheets Register should be placed at the end of the Loose-Leaf Ledger. It is suggested, however, that as an effective check it would be far better that the Sheets Register should be kept by the head of the counting-house, or at least by some clerk other than a Ledger clerk, and therefore the advantage of so framing it that it can be filed in a Loose-Leaf Ledger is by no means obvious. Of course, if the Private Ledger be in loose-leaf form, these Sheets Registers may conveniently be filed at the end of the Private Ledger; but, as has already been stated, it is open to question whether for Private or General Ledgers any improvement on the old-fashioned form of bound book is likely to be introduced.

SUMMARY.

From what has been stated above, it will be seen that the Slip System is—to some extent at least—a "reversion" to keeping records upon loose sheets of paper, instead of in bound books. If it is to retain its functions as a "system," it need hardly be pointed out that it is essential that especial care should be taken that everything is done properly and in order—in fact systematically. It would probably never be safe to depute inexperienced or inefficient bookkeepers to keep records upon the Slip System; but experience has shown that competent

bookkeepers, if reasonably supervised, can produce excellent results from this system, and that a material saving of time—and, in consequence, of salaries—may result from its introduction. Another special convenience, which in some cases is particularly valuable, is that the system readily lends itself to every possible sub-division of labour. With bound books it is not usually practicable for more than two clerks to be at work upon the same pair of books (Ledger and book of first-entry) at the same time. Under the Slip System, however, there is no difficulty whatever in any desired number of clerks being at work simultaneously. This naturally does away with one of the more important advantages of sub-dividing heavy Trade Ledgers; but the convenience of being able to balance each Ledger separately is such that a similar distinction should, as a rule, be observed in connection with Card or Slip Ledgers as much as with bound or Loose-Leaf Ledgers. This division can, however, be very readily marked by regarding each drawer or file in which the Cards, or Slips, are kept as a Ledger capable of being separately balanced. Alternatively, some houses prefer to abandon all attempt to divide, say, the Sold Ledger into sections, but balance the whole daily. So long as it is practicable to extract a Trial Balance each day, a sub-division is probably unnecessary; and—in connection with the Slip System—a permanent record of the Ledger balances at the close of each day is undoubtedly of very considerable value; but if, for any reason, it is not practicable to balance the Ledger at such frequent intervals, some form of sub-division will doubtless be found desirable, in order to enable errors to be located when a difference in balancing is found to exist.

In conclusion, it may be added that, apart from all other advantages, the employment of either Slip, Card, or Loose-Leaf Ledgers materially facilitates the preparation of monthly statements, the extraction of Ledger balances, and other similar operations; in that at such times of pressure the work may be sub-divided to an extent only limited by the number of the available staff, whereas with Book Ledgers two is the maximum number that can be usefully employed simultaneously, and even then the work cannot be proceeded with at twice the rate of one. When, however, the Ledger can be cut up into numerous sections, a section can be allotted to each separate clerk, and the desired result can then be obtained in a minimum period of time. This important advantage will, it is thought, be at once appreciated, and will be found to fully compensate for any slight difficulty that may be experienced at first in handling accounts framed upon an unfamiliar system.

CHAPTER XIX.

COST ACCOUNTS.

COST ACCOUNTS are accounts supplemental, or subsidiary, to financial accounts, and are compiled for the purpose of giving additional information as to the detailed cost of working an undertaking, or any particular section thereof. It will thus be seen that, whereas the financial accounts are complete in themselves and independent of the Cost Accounts, the latter are of the very greatest importance and value to those responsible for the successful working of the undertaking. Speaking generally, a Cost Account may be said to be a section, or portion, of the Trading Account or of the Trading and Profit and Loss Accounts. It may sometimes represent some division thereof in point of time, or in departments (each section covering the same period as the combined account); or the divisions may be made in both respects simultaneously, as when separate Cost Accounts are prepared of each contract undertaken, numerous contracts being worked upon at the same time, while the period occupied over each contract is a varying quantity.

The nature of the Cost Accounts, and also the manner in which they are compiled, will depend greatly upon the nature of the transactions embarked upon. Before discussing the matter further, therefore, it will perhaps be convenient to indicate the different classes of Cost Accounts most usually to be found. They are as follow:—

(1) Undertakings whose transactions are divisible into several distinct departments, each dealing with a separate class of goods, which are regularly being constructed (*e.g.*, Spinners, Weavers, &c.).

(2) Undertakings whose transactions are divisible into distinct contracts, where the separate result of each contract is required (*e.g.*, Builders).

(3) Undertakings whose transactions are divisible into separate contracts (each of which contracts is executed in part by various different departments), when it is desired to show separate departmental results, and also the results of each separate contract (*e.g.*, Engineers).

(4) Undertakings whose transactions consist of the manufacture of a single product; but where the conditions are such that the cost of manufacturing that product varies greatly from time to time (*e.g.*, Smelters, Collieries, &c.).

(5) Undertakings whose transactions involve the manufacture of a great number of different articles, each consisting of two or more processes, where it is desired to show separate results, both departmentally and in respect of each article; but where, owing to the number of the latter, complete Cost Accounts are impracticable (*e.g.*, Smallware Manufacturers).

The above classification of Cost Accounts has been suggested by a perusal of STRACHAN'S "COST ACCOUNTS," and will serve the present purpose as well as any other; it is important to bear in mind, however, that it is by no means exhaustive. It will be readily understood that, in the nature of things, Cost Accounts are hardly capable of any exact division into distinct classes, on account of

the widely varying requirements of different undertakings.

(1) DEPARTMENTAL COST ACCOUNTS.

The requirements under this heading are comparatively simple, inasmuch as all that is required is a number of detailed Trading Accounts—one for each department—all of which will cover the same period as the Trading Account which forms part of the system of financial books. Under these circumstances, it will be convenient that the financial Trading Account should include those items included in the Departmental Cost Accounts, and no others, so that the aggregate result of the Cost Accounts may agree with the balance transferred from the Trading Account to the Profit and Loss Account. This system of accounting will be found suitable to manufactures which include a number of comparatively simple and distinct articles, in which case the accounts are merely upon the lines of ordinary Departmental Accounts (already explained in Chap. V.); the system is also suitable where the manufactures consist of a number of distinct, and well-defined, processes through which every article has to be taken.

A typical example of such a condition of affairs will be found to obtain in a Boot and Shoe Factory. The procedure in such cases will be similar to the Departmental Accounts, save that each department, after the first, must be treated as purchasing from the preceding department its manufactured product. A definite scale of prices must therefore be arranged as between one department and another, each department being treated as having earned its profit as soon as it has completed its part of the whole process of manufacture. This system lends itself readily to the preparation of detailed and accurate accounts, and (speaking generally) infringes no fundamental principle of accounting. It is important, however, when preparing the financial accounts at the end of each period, to broadly review the general position, with a view to guarding against partly finished goods being taken into stock at a sum in excess of actual cost unless there is every reason for supposing that the manufacture will in due course be completed and the articles then find a ready purchaser at the normal price. If there be any doubt under either of these headings, a reserve should be made against any possible loss on the work already done in the earlier departments of manufacture.

(2) SIMPLE CONTRACT ACCOUNTS.

This, as a class of Cost Accounts, is not likely to occur often in practice, but it is convenient to consider the simpler problems here provided before viewing them in their more practical (and more complicated) aspect as appearing under heading (3). The nature of the transactions is that certain simple articles, which can be completely manufactured in a single department, are contracted to be made at definite prices, and the object of the Cost Accounts is to show the actual cost of production, with a view to (*a*) checking the estimate upon which the contract was based; (*b*) providing data for future estimates; and (*c*) enabling leakages to be detected, thus paving the way for the introduction of further economies in the future. The principle in these cases is identical with the principle of Departmental Accounts, save that the division, instead of being upon definite lines that are invariably the same, varies from time to time according to the contracts then in hand, each account being closed up as soon as that contract is completed. The Cost Accounts thus do not run on for a period equal to the financial year of the undertaking, but for a period equal to the duration of the contract; to enable the Cost Accounts to be reconciled with the financial accounts, however, each contract remaining uncompleted at the close of a financial year must be totalled up to that date, in addition to being balanced off when the work is finished.

(3) DEPARTMENTAL CONTRACT ACCOUNTS.

The distinction between the accounts that come under this heading and those referred to under the preceding is that the contract in each case consists of several "parts," or distinct processes, the results of each of which have to be definitely shown. The

accounts therefore require still further sub-division in order to produce the required result. Each separate Cost Account should show not merely the result of that particular contract, but also the expenses incurred in connection with each department or process, and *per contra* that portion of the contract price which may be allocated thereto. The latter may be readily arrived at, in that the estimate would always be the aggregate of an estimate of each separate department or process. Cost Accounts coming under this classification would be tabulated from time to time, so as to show not merely the separate result of each contract and the aggregate result of the contracts as a whole, but also the aggregate result of each separate department. The majority of manufacturers' accounts, where the work is contracted for in advance, will come under this heading.

(4) "SHORT-PERIOD" COST ACCOUNTS.

The requirements under this heading are comparatively simple, in that the account is practically neither more nor less than a Trading Account for a limited period, save that (as a rule) the particulars of cost will be fuller than is usually considered necessary in financial accounts. Examples of such accounts are afforded by Collieries, Iron and Steel Manufacturers, Gas Works, and the like; while accounts prepared upon exactly the same lines are compiled by Railways, Tramways, Hotels, and certain other undertakings, which, although not engaged in manufacture, require for their successful working to keep careful and constant supervision over their working expenses. The problem in such cases is comparatively simple, in that the analysis of expenditure follows exactly the same lines as that required for the financial accounts, save that perhaps some further dissection is necessary to provide the additional detail required. Assuming, however, that the Cost Accounts are prepared, say, fortnightly, then 13 such accounts should agree exactly in all particulars with the half-yearly Trading Account. The objects of compiling the record at more frequent intervals are (1) that leakages may be detected and rectified at the earliest possible moment, and (2) that the output may be controlled, by restricting it when conditions are unfavourable, and enlarging it when the value of the product is relatively high as compared with the cost of its production.

In spite of the heading attached to this section it should be added that, although the Cost Accounts are customarily prepared for short periods (usually coinciding with the intervals at which wages are paid), from time to time these Cost Accounts are aggregated so as to show the results over a more extended period. In connection with both the short-period accounts and the aggregated accounts, these results (as shown in the examples given at the end of this chapter) are prepared not merely in absolute figures representing the totals for the period under review, but as comparative figures corresponding with a unit of work done. The unit must in all cases be carefully chosen, so that these comparative figures (or "decimal calculations," as they are sometimes called) may produce results that are of practical value, and for that purpose it is desirable that the unit selected be one which, as far as possible, *varies directly* with the periodical variations in cost. In connection with certain industries, as, for example, gas works, it is found desirable to employ *two* distinct units, so that the imperfections of the one basis may to some extent be compensated by the advantages of the other. The following units are in general use:—

Collieries—Per Ton of saleable Coal raised.

Other Mines—Per Ton of Ore raised.

Iron and Steel Manufacturers, Smelters, &c.—Per Ton produced.

Breweries—Per Barrel (of 36 gallons) brewed.

Gas Works—Per Ton of Coal carbonised, and per 1,000 cubic feet of Gas *sold*.

Electric Light Works—Per Ton of Coal used as fuel, and per 100 units of Electricity *sold*.

Railways—Per Train-mile (per Ton-mile is favoured in some quarters, but is not general).

Tramways—Per Car-mile.

Brickworks—Per 1,000 Bricks made.

Hotels, &c.—Per Visitor per day.

Undertakings whose output is more complex generally adopt as a unit per £100 of sales, or else reduce all other figures to a percentage of the total Sales for the period.

(5) MISCELLANEOUS COST ACCOUNTS.

Under this heading may be included the accounts of those manufacturers who deal with a vast number of different and continually varying articles, some of which are made for "stock" purposes, and some on contract under such conditions that it is practically impossible to employ a complete system of Cost Accounts, such as those already described. In such cases naturally all that is possible is to compile the most complete accounts that are reasonably practicable in the difficult circumstances of the case. As a rule, it will not be practicable to do more than keep complete Departmental Accounts (as explained under paragraph (1)), and to supplement these by Cost Accounts in connection with certain articles, selected from time to time as tests; while occasionally it may be found practicable to keep complete particulars of all costing operations over a comparatively short period, although the cost of keeping such accounts continuously would be prohibitive. It is under this heading that the most difficult problems will arise in practice; but inasmuch as each must be dealt with upon its own merits, no general observations, such as could be made here, are likely to prove very useful in practice.

PREPARATION OF COST ACCOUNTS.

The general nature of Cost Accounts under varying circumstances having now been described, it will be seen that, in general, the process of compiling such accounts involves neither more nor less than an elaborate dissection of all expenditure into more or less numerous sub-divisions. Such expenditure may be broadly classified under four headings:—

(*a*) Labour.

(*b*) Materials specially acquired for that particular purpose, and capable of being directly charged thereto.

(*c*) Materials consumed from Stock.

(*d*) General Establishment Expenses.

A most convenient method of dissecting these four classes of expenditure will, in the nature of things, vary to a large extent according to the manner in which it is found convenient to record such expenditure in the financial books of account. The question is one that should always be carefully taken into consideration when the system of financial accounts is being designed; but, inasmuch as such systems will naturally vary enormously according to the requirements of each particular undertaking, only a few general indications can be given in the present work. This, it is thought, will be self-evident, when it is borne in mind that a volume at least the size of the present one might usefully be written on the Cost Accounts of any one representative industry.

(*a*) LABOUR.—If the financial books are designed to show departmental results, the Wages Analyses may be readily framed to dissect the total wages paid from time to time into departments. When, however, it is desired to further sub-divide Wages so as to show the expenditure upon each of a number of different contracts, such dissection must (as a rule) take place outside the books necessary for financial purposes. Sometimes the dissection may be best accomplished upon sheets ruled similar to the following:—

EXAMPLE:

WAGES DISSECTION, for the fortnight ended................190 .

Name	Total	Numbers of Contract										
	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d
Contract Ledger fo.	....	....	....	....	....	....	....	....	....	....	....	....

If practicable, however, it will often be found to materially reduce the amount of work involved if some development of the Slip System (Chap. XVIII.) be applied to the analysis of Wages over the various contracts. The Slip System lends itself well to work of this description, in that there is rarely (if ever) any imperative necessity for keeping a permanent record of how the various details of Wages are made up, so long as the amount debited weekly (or fortnightly) to the various contracts then open is made to agree with the total of Wages paid.

It goes without saying that if the dissection of Wages for Cost Account purposes cannot be commenced until after the Wages for any given period have been priced out and paid, it is impossible for the cost records to be kept up to date: in consequence, some application of the Slip System is greatly to be preferred wherever practicable. All that is necessary is that the written instructions to workers should be given out in the form of Work Cards, a separate card for each job. When the work is finshed (or the curent wage period comes to an end, whichever happens first), the Work Card is returned to the foreman, certified by him, and handed in to the Cost Office for record, being afterwards transferred from the Cost Office to the Pay Office to enable the latter to make up the Pay Sheet. This Pay Sheet should be absolutely agreed with the Wages debited in the Cost Ledger *before* the wages are paid; and if the work of both departments proceeds regularly from hour to hour, instead of being all compressed into a few hours at the end of each week or fortnight, no difficulty will be experienced in arriving at this absolute agreement at the proper time—*i.e.*, before the workers have been paid, when it is still possible to readily rectify mistakes.

It may be added that, under the general term "Wages," as employed here, it should be understood that all payments to workers and supervisors are included that are capable of being directly analysed over the various contracts in hand. Salaries paid to managers, and other similar expenses which cannot be so readily dissected, are best included under the heading of Establishment Expenses, and divided in the manner explained hereafter.

(*b*) MATERIALS DIRECTLY CHARGEABLE.—The expenditure under this heading may be readily arrived at if a suitable form of Purchase Book be employed for the record of invoices for all goods received, such as the following:—

EXAMPLE:

PURCHASE BOOK, for the month of...............190 .

Date	No. of Invoice	Name	B. L. Fo.	Amount of Invoice	Miscellaneous Accounts			Stores	Contracts		
					Account	N. L. Fo.	Amount		No.	C. L. Fo.	Amount
				£ s d			£ s d	£ s d			£ s d

Here again, however, the principles of the Slip System may often be employed with advantage, the actual invoices themselves being handled, and charged up direct to the various contracts; or Analysis Sheets, supplementary to the Purchases Book, may be employed, such sheets being for all practical purposes "intermediate" Ledgers, collecting the materials directly chargeable against each contract, so that the periodical total only is posted to the Ledger Account opened in respect thereof in the Cost Ledger.

In the case of large undertakings it will probably be found convenient to provide the Cost Office with a separate Materials Journal, as otherwise some inconvenience may be caused by the Purchases Book being at the Cost Office when required in the Counting-house, and *vice versâ.*

(*c*) STORES CONSUMED.—Under this heading may be included all materials (including Plant) issued from the works for the use of any particular contract, each contract being afterwards credited with the value of such Materials and Plant as may be returned unconsumed. In the case of Plant, however, credit should be given at a reduced figure, to compensate for the wear and tear incurred during the time that the Plant remained at the disposal of that particular contract. To avoid confusion, it is perhaps desirable to add that this actual debiting and crediting of Plant to a contract would only be performed in cases where the work was done away from the factory; it is, then, most important to keep an accurate record of all Plant that may leave the factory premises, with a view to seeing that it finds its way back again to the factory yard after the contract has been completed.

There are numerous methods in general use of keeping a record of Stores; but many of these methods are unreliable owing to their unsystematic nature, and it is thought that some application of the Slip System is the only really satisfactory method that can be employed. Under this system a requisition must be made out, and given to the Storekeeper

in exchange for whatever may be required. This requisition should be recorded—

(1) To the debit of the contract;
(2) To the credit of that particular class of Stores or Plant.

On Stores (or Plant) being returned, the reverse process should be pursued. A good form of "Stores Issued Slip" for general purposes is the following:—

EXAMPLE:

(UPPER SHEET.)

ACME ENGINEERING COMPANY, LIM.

No. ooo. ....19.........

To the Storekeeper

Deliver to bearer

(This space to be left blank)

Charge to

Contract No.................. (Signed) ....

(LOWER SHEET.)

STORES ISSUED SLIP.

No. ooo. ....19.........

Debited fo...................Priced by..........................

Credited fo...................Passed by..........................

Price	Amount
	£ s d

Debit to

Contract No.................. ....

NOTE.—The Lower Sheet is forwarded from the office direct to the clerical staff in charge of Stores records, to be priced out and duly entered up by them. If desired, it is, of course, an easy matter to further multiply copies of the requisitions by the aid of carbon sheets.

The Stores Returned Slip might be upon the same lines, but should be printed on distinctively coloured paper, in order to guard against possible errors.

Theoretically, the Stores Ledgers ought to be kept by someone other than the Storekeeper, in order that they may provide an absolutely independent check upon the Storekeeper and his stock; but it is only in very large concerns that this plan can be carried out in its entirety. As a rule, however, there is no difficulty in arranging that the debits to the various contracts or jobs be kept by someone other than the Storekeeper, and the total of such debits can be compared with the total credited by the Storekeeper against the corresponding Stores Accounts at frequent intervals. If the Stores Ledger be kept in double columns, in quantities as well as in money, it becomes increasingly difficult for manipulations to occur, provided, of course, the posting of the Stores Ledger is carefully checked at frequent intervals. In large concerns it is an excellent plan for the Stores Ledger to be kept in the Cost Office, and for a duplicate to be kept (in quantities only) by the Storekeeper.

By whomever they may be kept the detailed record of Stores involves the employment of two Ledgers (each of which might usefully be of the Loose-Leaf, or Card, variety, as may be preferred), the first one to contain an account for each Contract to be debited with all Stores issued, and credited with all Stores returned; the second (or Stores Ledger) to contain an account for each distinctive class of Stores, to be credited with all Stores issued, and debited with all Stores received or returned into stock. The division of the Stores as a whole into separate Ledger Accounts is a matter that can only be usefully determined by someone practically acquainted with the nature of the goods to be handled. Speaking generally, all that can be said is that, while it is undesirable to multiply separate accounts unnecessarily, there should be a sufficient number of such accounts to enable them to provide a useful check upon the quantity of Stores in hand from time to time, and to enable such shortages as will doubtless of necessity arise to be carefully scrutinised, with a view to restricting losses within the narrowest possible compass. Each month the Storekeeper should compile a schedule of his total debits and credits to each account in both his Ledgers. The one set of figures will supply the periodical totals of Stores Issued and Stores Returned, to be debited and credited respectively to each Contract in the Cost Ledger; the other set will supply the totals of Stores Issued and Stores Returned to be credited and debited respectively to the corresponding Stores Account in the Stores Ledger.

It should be added that in many cases the full details of the Stores Issued are posted direct to the debit of the job in the Cost Ledger, which in such cases may advantageously be in tabular form, so that the total expenditure under each heading may be separately shown during the continuance of the contract.

(*d*) Establishment Charges.—Under this heading must be included all those expenses that are not comprised in the three preceding ones, but which are included in the financial books as a debit to the Trading Account (or to the Trading and Profit and Loss Accounts, as the case may be). As the charge in respect of Establishment Expenses has to be made before the close of the financial year (and therefore before the exact total of such expenses has been ascertained), it is clear that the amount to be debited to each of the various accounts in the Cost Ledger in respect of Establishment Expenses can only be an estimated item. The estimate should, however, be compiled as carefully as possible, and should (if anything) err upon the side of being too heavy, rather than too light, so that the results shown by the Cost Ledger may be "conservative" estimates of the actual results achieved.

It is suggested, however, that although the view is very general that Establishment Charges can only be treated approximately in the manner indicated above, if the matter be systematically dealt with, the approximation can be made very much more

accurate. Thus it ought to be no impossible task for the Counting-house to supply the Cost Office at the end of each week, fortnight, or month, with the total expenditure (under each of an agreed series of headings) for the past period. These totals would in the majority of cases not be subject to subsequent adjustment, but in connection with such items as bad debts, discount, interest, and the like, the system would probably be found not to work well in practice. This, however, merely affords an additional argument for not attempting to deal with such extraneous expenses in the Cost Accounts at all. It is further submitted that the proper "loading" for Establishment Charges against any given contract or job is its due proportion of those charges *actually incurred during the period that the contract or job was in hand;* that is to say, at a time when the factory is full the Establishment Charges are—and should be—less than when the factory is working (say) at half time. As ordinarily compiled, Cost Accounts cease to be Cost Accounts directly the allocation of standing charges is reached, and in place of actual facts estimates are employed. Such estimates, it is thought, very materially interfere with the real value of the Cost Accounts as a whole. It may at first sight seem to be a little more trouble to debit Establishment Charges weekly (or at other frequent intervals) than to wait until the whole of the contract is completed and then charge it up *en bloc*, but a moment's consideration will show that they may be much more accurately apportioned when apportioned frequently. Moreover, whatever system be generally employed it will from time to time produce manifestly inequitable results, and these can be much more easily detected and adjusted if the work proceed by instalments practically continuously. For example, if all work be machine work Depreciation of Machinery and Cost of Motive Power may, in general, be equitably apportioned *pro ratâ* according to the amount of Wages paid: but if some work be hand work, then obviously the loading in respect of these charges will be heaviest against those contracts, or jobs, which derive the *least* benefit from this class of expenditure. This is by no means an isolated instance. It may be stated in general terms that whatever method of apportionment be employed it must be used not blindly, but with intelligence; and to enable it to be so used it is essential that those responsible for the apportionment should have the detailed facts before them at frequent intervals.

The best method of apportioning Establishment Expenses over the various accounts is a matter upon which some difference of opinion exists, and also one which must to some extent vary according to the circumstances of the case. Speaking generally, however, it may be stated that while certain Establishment Charges may be most accurately said to vary according to the total cost of the work performed, others will vary most closely according to the contract price, according to the amount of wages paid, or according to the amount of time occupied upon the job. As it is extremely desirable that the basis of apportionment should be as exact as possible, it is desirable that Establishment Expenses should be sub-divided into two or more headings, and a separate amount for Establishment Expenses debited in respect of each group, upon the principle that appears to be the fairest. For the sake of more clearly showing what is intended here, the following sub-division is given. It must be understood, however, that each case should be carefully considered upon its own merits, in order that an accurate basis of apportionment may be arrived at.

(1) Establishment Expenses to be provided for by way of a percentage on the number of hours booked to the job—

Rent of Factory.

Rates, Taxes, and Insurance of Factory.

Salaries of Factory Managers.

(2) Establishment Expenses to be provided for by way of a percentage on the amount of Wages paid—

Depreciation of Machinery.

Motive Power.

(3) Establishment Expenses to be provided for by way of a percentage on total prime cost—

General Office Expenses.

Discounts and Bad Debts.

Enough has probably been said to show that the writer does not favour the practice of attempting to allocate, as part of the cost of individual items of the production of a factory, those expenses which have in fact nothing whatever to do with the factory output. As has already been explained, the introduction of these very "indirect" charges into the Cost Accounts tends to entirely vitiate the comparison of results as between one period and another where it is practicable to express those results "per unit"; and in all cases the assumption that these charges are capable of being distributed *pro ratâ* over the output of the factory (whatever exact method of distribution may be employed) is so arbitrary as to render unreal, and largely imaginary, results which would otherwise be absolute statements of fact. It may further be added that the Cost Accounts, being in essence a highly departmentalised —if somewhat amplified—Trading Account, are constructed at so much trouble, not for the purpose of supplying a purely theoretical demand, but for the essential practical purpose of enabling those at the head of affairs to be supplied with the needful information to enable them to control practical managers directly responsible for results, and also for the purpose of showing those practical managers what results have actually been achieved. Under no circumstances can the practical, or factory, manager be in any way held responsible for indirect expenses of the kind here under consideration, and as a result the introduction of these items of Oncost into the Cost Accounts is, it is thought, disturbing rather than helpful. When to the above objections it is added that it is only in connection with these extraneous items that any serious difficulty arises in connection with the direct and immediate allocation of *all* items of cost (including Oncost) week by week, and month by month, it is thought that a very fair case has been made out in deprecation of a system which would appear to have had its origin with theorists rather than practical men.

COST LEDGERS.

So far the method of dissecting costs over distinct contracts has alone been dealt with. When, however, each contract has to be further sub-divided into separate processes for costing purposes, each such process must have allocated to it a separate Ledger Account. As a rule, it is convenient to let each contract as a whole bear a consecutive number rather than to allot a distinct number to each such process, the various processes being identified either by distinctive initials or secondary numbers; for example, 1562A, or 1562/1. Another method of numbering sometimes employed is to allocate a number which is a multiple of ten to each separate contract, allowing the distinctive unit number to indicate sub-contracts. Thus the number 15,620 would represent a definite contract as a whole, while numbers 15,621 to 15,629 inclusive would represent as many different subdivisions of that contract. It may be questioned, however, whether this plan is as good as either of the first two previously mentioned. It is inelastic, in that it limits the possible number of sub-divisions, unless fractions be employed, while it is obviously inconvenient that the contract number should contain more figures than are absolutely essential to meet the requirements of the case.

Speaking generally, it is thought that, of all forms of Ledger, the Loose-leaf variety is that most suitable for the record of Cost Accounts. It enables those contracts of short duration to be removed out of the current binder forthwith, while permitting the whole of the record of the longer and therefore more important contracts to be invariably kept upon sheets that run consecutively, all of which remain in the current Ledger, so long as the contract is in progress, and all of which are together transferred to the closed accounts file as soon as the contract is completed. The Loose-Leaf Ledger, moreover, readily adapts itself to any desired form of ruling, and should the necessity arise it is a perfectly simple matter to combine two or more different

types of ruling in the same Cost Ledger, each individual sheet being framed according to the requirements of the contract recorded thereon. This is an advantage that may not be very apparent in connection with every type of business, but in the majority of cases it will be found a convenience, in that the Summary Sheets (of which an example is given on this page) can then be readily added at the end of the Ledger as required without giving rise to the necessity, inseparable from the bound Ledger, of calculating in advance the probable number of sheets of each pattern that will be required, and closing the Ledger *in toto* and starting a fresh one whenever the sheets allocated to any one of those sections have become exhausted.

Some manufacturers prefer to frame their Cost Ledger Accounts upon ordinary *Dr.* and *Cr.* lines, debiting cost and crediting contract price and value of "extras," and then at the conclusion of the contract striking a balance of profit or loss on each separate Ledger Account. An alternative method, which for many purposes will be found preferable, is to keep the Ledger Accounts (which, of course, in any case will be ruled in tabular form) as a debit side only, the debit totals on the completion of the contract being transferred to the Cost Ledger Summary, where the credit side of the account is added. The advantage of this latter method is that it enables the aggregate costs under each heading to be more readily arrived at, thus facilitating a periodical comparison (and agreement) with the financial books.

For marshalling the aggregate total of Cost Accounts at stated periods, an analysis of the Cost Ledger, ruled in tabular form, will be found extremely convenient. Where the contracts are numerous, it will usually be found best to give a separate line to each contract (or section thereof), the different classes of expenditure appearing in different columns; by this means the number of columns may be kept within reasonable limits. The following shows a useful form of ruling, which, however, will naturally require considerable modification according to circumstances.

EXAMPLE:

COST LEDGER SUMMARY for the year/half-year ended..........190 .

Cost Ledger Fo.	Contract No.	Sub-Contract No.	Wages	Special Materials	Stores and Plant	Total	*Less Stores and Plant Returned*	Prime Cost	Establishment Expenses on Time %—	Establishment Expenses on Wages %—	Establishment Expenses on Prime Cost %—	Total Cost	Contract Price	Extras	Total Credits	Profit	Loss	Value of Work in Progress	Remarks
			£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	

CARD COST LEDGERS.

With comparatively small jobs, or contracts, a form of Card Ledger will often be found most convenient, the more so as it amounts to a mere development of what is probably upon the whole the most convenient method of recording the costs of Labour and Materials. The following examples of a Job Card, and of a drawer showing the method of filing, speak for themselves, the cards (or slips) showing all details of cost are filed away behind the first-named, which serves also the purposes of a "Guide Card." If desired, this form of Cost Ledger may be readily used in conjunction with the tabular Cost Ledger Summary shown on page 239.

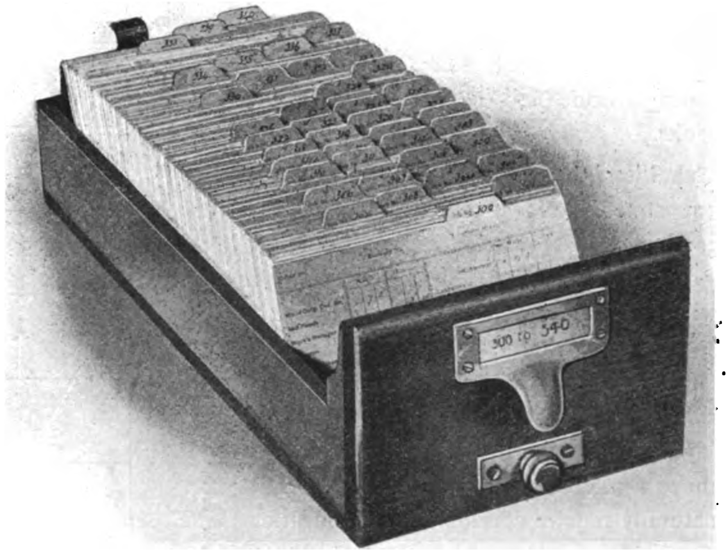
EXAMPLE:

Job Nº

Order Nº Drawing Nº Cost £

Labour	Nº of Man	Hours	Cost of Labour			Material				
Assembling						Babbitt Genuine				
Babbitting						.. Common				
Blacksmith						Brass Cast				
Boring						Brass Rolled				
Chipping						Iron Cast				
Drilling						Iron Wrought				
Erecting						Steel Sheet				
Filing						Steel Soft				
Grinding						Steel Tool				
Key Seating						Piping				
Milling						Lumber				
Painting						Incidentals				
Planing						Cost of Materials				
Polishing						Cost of Labour				
Slating						Prime Cost				
Tapping										
Turning										
Testing										
	Total									

The Work Cards and Stores Slips, after the cost clerk has agreed them, are placed in a tray or drawer behind these guides, which bear the job number. On these guides is printed a synopsis of the processes through which the job must pass.



RECONCILIATION WITH FINANCIAL ACCOUNTS.

Cost records which are not capable of being reconciled, or agreed, with the actual results shown by the financial books are practically valueless, inasmuch as there can be no assurance even of their approximate accuracy. It is, therefore, an essential feature of every system of Cost Accounts which puts forward the least claim to completeness that the result should be capable of being—and should be—reconciled with the results shown by the financial books every time the latter are balanced. In the absence of a scientific system of cost accounting there will be some discrepancy between the two sets of results, for the following reasons:—

(1) Some portion of the actual expenditure upon Wages may not be directly chargeable against any Contract. Such portion should properly be included under the heading of "Establishment Expenses," but, owing to the difficulty of exactly estimating it in advance, there is certain to be some discrepancy under this item.

(2) In Materials directly chargeable there ought to be an exact agreement between the cost and financial records. Any Materials directly charged against a contract, but returned into stock because unconsumed, may be properly credited to the contract and debited to the appropriate Stores Account, and such entries ought not to interfere with an exact agreement under this heading.

(3) There should be no difficulty in obtaining an exact agreement between the general Stores actually debited to the various contracts, and those credited to the Stores Accounts; but in practice there will always be a certain amount of shortages in the latter that have to be written off. Experience should show the amount of leakage that may fairly be expected under this heading—a leakage which ought to be entirely explainable as a loss of weight, or quantity, arising from the breaking of bulk, or from a loss of weight (*e.g.*, through drying) while the goods remained in stock. Assuming, however, that an efficient supervision is kept over the Storekeeper, and that no improper leakages occur, a reserve sufficient to cover any loss under this heading may easily be provided for under "Establishment Expenses."

(4) Under the heading of Establishment Expenses there is bound to be some discrepancy between the estimates contained in the Cost records, and the actual facts recorded in the financial books. The most important factor in this discrepancy would be that, even supposing the correct amount of Establishment Expenses could be estimated in advance, it is practically impossible to estimate the output in advance, and therefore the percentage on the Prime Cost, &c., that must be added to the Prime Cost in order to cover Establishment Expenses cannot be absolutely determined beforehand. Such discrepancies as may arise under this heading, however, ought to be readily capable of being explained at the close of the financial period, and inasmuch as the total Establishment Expenses ought not in the case of most industries to represent more than 5 per cent., or 6 per cent., of the total ouput, any difference that may legitimately occur under this heading ought not to be serious.

It is perhaps hardly necessary to point out that, if the method already advocated be employed, of ascertaining the total amount of Establishment Expenses at frequent intervals, and then distributing that total over the various contracts, the discrepancies already referred to will never arise—or, at all events, will be kept within quite negligible limits, provided those indirect expenses which have really nothing to do with the factory output are eliminated from the Cost Accounts altogether. But, of course, it goes without saying that, to enable the Cost Accounts to be readily reconciled with the financial books, it is desirable that all those expenses that are included in the former should be debited in the latter to Trading Account rather than Profit and Loss Account. If thought desirable, the Trading Account can, of course, be divided into two sections, the break being made where the line would ordinarily have been drawn between Trading Account and Profit and Loss Account. If this plan be pursued, the aggregate of the Cost results (as shown by the Cost Ledger Summary) should

agree exactly with the balance transferred from the Trading Account to the Profit and Loss Account, such balance representing Factory Profit, and not Net Profit.

It has already been stated that the Cost records are, as a rule, best kept quite separate from the financial books. The most obvious advantages of so treating them are—

(1) That entirely different staffs may then be kept upon the two classes of records, when each will provide a check upon the accuracy of the other's work.

(2) The advantages that naturally obtain when Ledgers are sub-divided, namely, that an exact balance can be more readily arrived at, and (to some extent) that each balance may be employed as a check upon the other.

The exact accounts to be opened in the financial books to record the cost transactions in total, and to link up with the Cost Ledger, will naturally vary considerably according to circumstances. It is thought, however, that in the great majority of cases the principle of the Adjustment Account, as employed for Self-Balancing Ledgers and for Branches, is not very suitable, as it would necessarily involve periodically transferring the balances of all the Nominal Accounts in the financial books to a "Cost Ledger Adjustment Account." This would naturally interfere with the building up in the financial books of the usual Trading and Profit and Loss Accounts, and would leave the Counting-house entirely dependent upon the Cost Office in respect of these most important matters. A better plan would seem to be to make the Cost Ledger self-balancing, not by the introduction there of a single Adjustment Account to complete the double-entry of the various transactions recorded in the accounts of the various contracts (or jobs), but by including as many separate total accounts as there are different classes of expenditure dealt with in the Cost Ledger. In this way, while it remains a perfectly simple matter to balance the Cost Ledger independently of the financial books, its records may be reconciled with those contained in the latter by a comparison of the totals of the various total accounts. Thus, while the total of the "Stores" column of the Cost Ledger Summary should agree with the balance of the (total) "Stores Account" in the Cost Ledger, it should also be capable of being reconciled with the total credited to the "Stores Account" in the Nominal Ledger as representing the difference between Stores Issued and Stores Returned; while, in a like manner, every other total of cost should be equally capable of reconciliation. In comparing the total of "Labour" in the Cost Ledger, however, with the total of "Wages" in the Nominal Ledger, it is important to bear in mind that unproductive wages have (for costing purposes) been included under "Establishment Expenses"; but no difficulty will be experienced in reconciling the totals, provided an adequate number of total accounts have been opened in the Cost Ledger. In the financial books there should be an account entitled "Works-in-Progress Account": on making up the Trading Account for the period the balance of Works-in-Progress brought forward from the succeeding period should be transferred from the "Works-in-Progress Account" to "Trading Account"; and the value of the Works-in-Progress at the end of the period (as shown by the Cost Ledger Summary) should be brought into the financial books by a Journal entry, crediting "Trading Account" and debiting "Works-in-Progress Account" therewith.

CONCLUSION.

The subjoined *pro formâ* Cost Accounts provide examples of such accounts that have been found useful in actual practice in connection with the various industries named. Up to a point, they may be taken as an indication of the general requirements of these respective industries. It need hardly be pointed out, however, that the requirements of undertakings carrying on a similar business are by no means uniform. Special and local considerations have to be taken into account, and (as has been already stated) the most suitable system for any particular undertaking can only be ascertained after a full and detailed inquiry has been made into its peculiar circumstances and conditions.

EXAMPLES:

FOR IRON FOUNDERS, STEEL MANUFACTURERS, &c.

COST OF MANUFACTURE.

	Tons	Cwts.	Qrs.	lbs.
Make	639	13	1	12

Dr.

	Weight	Average price per ton	Amount	Cost per Ton	Consumption of materials per Ton of Iron
	Ts. cts. qs. lbs.	£ s d	£ s d	£ s d	Ts. cts. qs. lbs.
To Puddled Bars ..	316 9 3 0	3 5 7	1,037 8 10	1 12 5·25	9 3 16
" Scrap Iron ..	413 11 0 14	2 11 0	1,054 2 4	1 12 11·25	12 3 11
" Coal ..	730 0 3 14	—	2,091 11 2	3 5 4·50	1 2 3 9
	564 18 0 0	7 8	214 5 5	6 8·40	17 2 18
" Firebricks, Clay, and Sand ..			33 3 4	1 0·44	
" Stores ..			57 8 11	1 9·55	
" Repairs—Materials ..			41 15 2	1 3·67	
" Do. Labour ..			22 5 10	8·36	
" Trade Charges ..			32 12 8	1 0·24	
" Rent, Rates, and Taxes ..			54 18 6	1 8·60	
" Gas and Water ..			10 17 6	4·08	
" Office Expenses ..			31 13 6	11·90	
" Wages and Salaries ..			467 11 4	14 7·43	
Total Cost ..			3,058 3 4	4 15 7·17	
" Balance, being Profit (carried to Profit and Loss Account) ..			249 8 8	7 9·85	
			£3,307 12 0	£5 3 5·02	

Cr.

	Ts. cts. qs. lbs.	£ s d	Ts. cts. qs. lbs.	£ s d	£ s d
By Bar Iron ..			646 14 1 21	3,593 2 9	Value per ton
Less					
Discounts and Allowances ..	6 1 0 9	94 10 7			
Carriage, Freight, &c. ..	..	165 14 3			
Commission ..	..	47 10 0			
			6 1 0 9	307 14 10	
			640 13 1 12	3,285 7 11	5 2 6·77
Deduct					
Decrease in Stock of Bar Iron:—					
Stock at 1 Jan. 1892 ..	19 0 0 0	104 10 0			
Do. 31 July 1892 ..	18 0 0 0	90 0 0			
			1 0 0 0	14 10 0	
				3,270 17 11	5 2 3·22
By Mill Cinder Scale, &c. .. 145 tons 10 cwt. ..			..	36 14 1	
Total make and value of same ..			639 13 1 12	£3,307 12 0	£5 3 5·02

FOR COLLIERIES. PIT No............

SUMMARY COST SHEET, 4 weeks ending............ 19....

			This Month		Last Month
		£ s d	Average per Saleable Ton.		This is for the corresponding figures of the previous 4 weeks
Tons Raised		14,000 0 0			
Tons Saleable .. .. (On which Costs are calculated)		12,600 0 0			
	Tons.			s d	
Sales, Coal and Slack	12,000	3,912 10 0		6 6·25	
Coal Stock, Increase	600	150 12 6		5 0·23	
Total Credits	12,600	£4,063 2 6		6 5·39	
	£ s d	£ s d	s d	s d	
Wages: Colliers	1,050 0 0		1 8		
" Underground	551 5 0		0 10·5		
" Surface	498 15 0	2,100 0 0	0 9·5	3 4	
Timber used	315 0 0		0 6		
Rails "	13 2 6		0 0·25		
Stores "	52 10 0	380 12 6	0 1	0 7·25	
Repairs and Renewals, exclusive of Wages	78 15 0		0 1·5		
Horse-keep and Stables	91 17 6	170 12 6	0 1·75	0 3·25	
Royalty, Freehold and Leasehold	315 0 0		0 6		
Depreciation	157 10 0	472 10 0	0 3	0 9	
Cost Loaded	..	3,123 15 0		4 11·5	
Management	105 0 0		0 2		
Salaries and Travelling	91 17 6		0 1·75		
Office Expenses	52 10 0		0 1		
Rents, Rates, Taxes, Insurance and Employers' Liability..	91 17 6	341 5 0	0 1·75	0 6·5	
Discounts and Bad Debts	..	52 10 0		0 1	
Total Cost	..	3,517 10 0		5 7	
Apparent Profit, 4 weeks	..	545 12 6		0 10·39	
		£4,063 2 6		6 5·39	

FOR GAS COMPANIES.

................................GAS COMPANY.

WORKING STATEMENT for the Year ended .... 19....

		Cubic Feet
Gas made, as per Station Meter	..	156,288,000
Gas Sold—Private Lighting	137,963,400	
Public Lighting	10,953,450	148,916,850 or 95·28 per cent. on make
		7,371,150
Gas used on Works and Office, as per Meters	..	2,500,000 or 1·60 " "
Gas unaccounted for	..	4,871,150 or 3·12 " "
		100·00
Capital Employed	..	£76,689 0s. 0d.
" " per Ton of Coal Carbonized	..	£5 6s. 0d.
" " per 1,000 cubic feet of Gas sold	..	10s. 3d.
Coal Carbonized—Common	..	14,117 Tons or 97·62 per cent.
Cannel	..	344 " " 2·38 "
		14,461 " " 100·00
Gas made per Ton of Coal Carbonized	..	10,807 cubic feet
Gas sold per ton of Coal Carbonized	..	10,298 "
Coke made	..	14,460 chaldrons
Coke made per ton of Coal Carbonized	..	36 bushels
Coke used for fuel per cent. on make	..	22·18
Tar made	..	150,180 gallons
Tar made per Ton of Coal Carbonized	..	11 "
Liquor made	..	405,594 "
Liquor made per Ton of Coal Carbonized	..	28 "
Net average price realised for Coke sold	..	8s. 2¾d. per chaldron
" " " Breeze sold	..	2s. 8¼d. " "
" " " Tar sold	..	1½d. " gallon
" " " Liquor sold	..	34s. per 1,000 gallons
Net proceeds of Coke and other Residuals per cent. on cost of Coal	..	73·32

			Per ton of Coal Carbonised		Per 1,000 Cubic Feet Sold	
	£ s d	£ s d	s d	s d	Pence	Pence
Coal	..	8,791 0 11	..	12 1·90	..	14·17
Less Residuals—Coke	4,633 0 4	..	6 4·89	..	7·47	
Breeze	118 6 0	..	1·96	..	0·19	
Tar	1,002 10 3	..	1 4·64	..	1·62	
Liquor	692 3 0	..	11·49	..	1·11	
Total Residuals		6,445 19 7		8 10·98		10·39
Net for Coal	..	2,345 1 4	..	3 2·92	..	3·78
Purifying	443 7 11	..	7·36	..	0·71	
Salaries of Engineers	350 0 0	..	5·81	..	0·56	
Wages and Gratuities at Works	1,436 0 11	..	1 11·83	..	2·31	
Repair of Works and Plant	3,816 7 6	..	5 3·34	..	6·15	
Salaries of Inspectors and Clerks	341 0 0	..	5·66	..	0·55	
Repair of Mains and Services	115 7 3	..	1·91	..	0·19	
Repairing and Renewing Meters	687 10 6	..	11·41	..	1·11	
Lighting and Repairing Public Lamps	558 17 10	..	9·28	..	0·90	
Rates and Taxes	738 16 3	..	1 0·26	..	1·19	
Directors' Allowances	420 0 0	..	6·97	..	0·68	
Salaries of Secretary, Accountant, and Clerks	148 5 0	..	2·46	..	0·24	
Collectors' Commission	400 0 0	..	6·64	..	0·65	
Stationery and Printing	119 11 8	..	1·99	..	0·19	
General Establishment Charges	170 14 7	..	2·83	..	0·28	
Auditor	31 10 0	..	0·52	..	0·05	
Bad Debts	60 8 11	..	1·00	..	0·10	
Allowances	20 2 5	..	0·33	..	0·03	
Total Working Expenses		9,858 0 9		13 7·60		15·89
Coal and Working Expenses, less Residuals	..	12,203 2 1	..	16 10·52	..	19·67
Sale of Gas—Private Lighting	17,245 8 6					
Public Lighting	1,848 13 3					
	19,094 1 9	..	26 4·89	..	30·77	
Rental of Meters	554 6 10	..	9·20	..	0·90	
Rents	92 19 2	..	1·54	..	0·15	
		19,741 7 9		27 3·63		31·82
Profit		£7,538 5 8		10 5·11		12·15

The form of Cost Sheet for Water Companies will be similar, except that the units of calculation will be per 1,000 gallons of water supplied and per £1 of rateable value of property in district.

The following Forms, which are extracted from a Lecture by Mr. RICHARD BROWN, C.A., will be found of interest in this connection.

———, MERCHANTS, ———.

Dr. REVENUE ACCOUNT for year ending 31st December 1903. **Cr.**

Expenditure.

	p.c.	£	Per cent.	£
To Wages			2	800
„ Warehouse Charges			·5	200
„ Carriages			1·25	500
„ Travellers' Salaries and Expenses			3·75	1,500
„ Rent, Taxes, and Insurance			1	400
„ Office Salaries			1·25	500
„ Stationery and other Office Expenses			·25	100
„ Bad Debts			·1	50
„ Cash Discounts—Balance			·1	50
„ Interest—Balance			·4	150
Total Expenditure			0·6	£4,250
„ Balance, being—				
Salaries to Partners	1·5	600		
Interest on Capital	·6	250		
Profit Divisible— A, £500; B, £400	2·3	900		
			4·4	1,750
			15	£6,000

Income.

	Per cent.	£
By Sales—Net	100	40,000
Less Purchases Account	85·6	34,250
	14·4	£5,750
„ Commissions	·6	250
Total Income	15	£6,000

———, PAPERMAKERS, ———

Dr. REVENUE ACCOUNT for the year ending 31st December 1903. **Cr.**

Expenditure.

	d. per lb.	£	d. per lb.	£
To Materials			·96	16,000
„ Chemicals			·24	4,000
„ Wages			·42	7,000
„ Coal, Oil, and Light			·15	2,500
Rent, Taxes, and Insurance			·09	1,500
„ Mill Furnishings			·04	600
„ Upkeep of Plant			·08	1,400
„ Depreciation of Plant			·06	1,000
			2·04	£34,000
„ Carriages	·09	1,500		
„ Packing	·06	1,000		
„ Salaries	·07	1,200		
„ Office Expenses	·02	300		
„ Bad Debts	·015	250		
„ Cash Discounts	·03	500		
„ Interest	·03	500		
			·315	5,250
„ Income Tax			·03	500
„ Balance, being Divisible Profit for year			·615	10,250
			3·00	£50,000

Income.

	d. per lb.	£
By Paper Account	3·00	50,000
	3·00	£50,000

——— BREWERY CO., ———

Dr. REVENUE ACCOUNT for year ending 31st December 1903. **Cr.**

Expenditure.

	% to Sales	£	Per Excise Barrel.	£
To Malt			£·371	£13,000
„ Hops			·086	3,000
„ Manufacturing Charges			·241	8,438
„ Depreciation of Plant			·057	2,000
„ Duty			·387	13,562
			£1·142	£40,000
„ Selling Charges and Bad Debts, viz.:—				
Edinburgh	10·4	£5,000		
Glasgow	10·5	3,000		
Dundee	12·5	1,500		
	10·75		·271	9,500
„ General Management, including Directors and Auditors			·029	1,000
„ Interest			·058	2,000
			£1·5	£52,500
„ Income Tax			·014	500
„ Balance, being Divisible Profit for year			·3	10,500
			£1·814	£63,500

Income.

		£
By Edinburgh Sales		£48,000
Less Discounts, 33·3 %		16,000
		£32,000
„ Glasgow Sales	£28,570	
Less Discounts, 30 %	8,570	
		20,000
„ Dundee Sales	12,000	
Less Discounts, 25 %	3,000	
		9,000
„ Beer Stock—Increase		1,000
	Per Excise Barrel	
	£1·771	£62,000
„ Yeast	·029	1,000
„ Draff	·014	500
	£1·814	£63,500

CHAPTER XX.

DEPRECIATION, RESERVES. RESERVE FUNDS, AND SINKING FUNDS.

IN the present chapter it is proposed to consider those provisions which are very generally regarded by all prudent business men as being essential to the continued prosperity of an undertaking, but which do not arise as a necessary record of actual tangible transactions that have taken place. For the most part, these provisions are necessitated by an alteration of circumstances, which—from one point of view at least—might be regarded as an actual "transaction" which called for a proper record in the usual way. They differ, however, in that the money value of the transaction must at all times be estimated, its exact amount never being capable of absolute determination in advance. The money value attached to the record must thus of necessity be a matter of opinion, rather than a matter of absolute fact. For this reason, doubtless, many misapprehensions are rife as to the true significance of these transactions, and the proper method of recording them in accounts.

DEPRECIATION.

In order to place any business undertaking in such a position that it may be regarded (so far as is humanly possible) as permanent, and able for an indefinite period to continue earning revenue, it is necessary—as has already been explained in Chapter II.—to provide from time to time for the maintenance of the Fixed Assets comprised therein, and for their renewal out of Revenue as and when such renewal is required by the circumstances of the case. In the meanwhile repairs and partial renewals will in most cases be required in addition. The necessity for these latter, however, is but rarely overlooked, and attention may therefore be profitably concentrated upon that heavy expenditure which from time to time becomes necessary, when further tinkering with, and repairing of, an asset becomes impracticable, and the occasion arises to entirely replace it by another of similar description. The term "similar" is employed advisedly, for, in the nature of things, with the normal progress of science and invention, it is usually desirable, when the time comes to replace a worn-out asset, to replace it not by another of identical description, but by one of improved form, designed to better carry out a similar class of work. It need hardly be added that in some industries the evolution of the most approved designs is far more rapid than in others.

From what has been stated, it will be seen that, over an indefinitely long period, the actual *cash* expended to repair, partially renew, and eventually to replace, assets as they become worn out (such as is necessary to maintain the undertaking as a whole), will, in a sense, cover such provision as may be necessary for Depreciation; but that at no moment of time, after a concern has once been started in going order, will the actual expenditure that can have been usefully made in this direction cover the actual shrinkage in value arising from wear and tear, the lapse of time, and the progress of modern invention. In the case of any single asset the total expenditure incurred up to the time that it is cast

aside as useless, and replaced by another of a similar description (including, of course, the original cost of that asset), will be the cost chargeable against Revenue for Maintenance—a comprehensive term which includes Depreciation. But taken as a whole, inasmuch as all of the assets comprised in any given undertaking will naturally not all wear out at once, the actual expenditure that can be usefully incurred will never be sufficient to cover the amount properly chargeable against Revenue under this heading. Consequently, for this reason if for none other, it is necessary, in addition to charging actual expenditure upon repairs and replacements to Revenue, to charge against the Revenue Account of each year a further sum, with a view to (as far as possible) averaging the expenditure on Revenue Account over a term of years, and that provision which it is so necessary to charge is usually called by the name of "Depreciation."

The essential factors to be borne in mind when making provision for Depreciation are—

(*a*) That during the life of an asset its original cost (*plus* all expenditure incurred in keeping it going) is a charge against Revenue;

(*b*) That, in order to state as accurately as possible the net profit earned in each year during the period covered by the life of such asset, it is important that the aggregate charge for repairs and maintenance (including Depreciation) be spread over those years in the fairest possible manner.

In practice there are several different methods of apportioning these charges from year to year:—

(1) Charging each year with the actual cost of repairs and small renewals, and an equal fraction of the original cost of the asset.

(2) Charging each year with the actual cost of repairs and small renewals, and, in addition, with a sum for Depreciation, arrived at by way of a percentage on the reducing annual balance of the Asset Account, the percentage being calculated at such rate as to reduce the asset to its then actual realisable value by the time that it becomes useless for revenue-earning purposes.

By this means, the direct charge for Depreciation becomes gradually reduced from year to year, and thus affords a rough sort of compensation for the facts (*a*) that repairs and partial renewals will probably steadily increase, (*b*) that the earning capacity of the asset will also probably decrease as it becomes older; on the other hand, it necessarily involves a somewhat heavy charge against the earlier years.

(3) By estimating in advance the total sum that will be chargeable against Revenue during the life of the asset in respect of repairs, partial renewals, and original cost, and charging each year with an equal fraction of such total.

This method has the advantage of "levelling up" the charges against Revenue in respect of repairs and small renewals better than either of the two preceding; but, inasmuch as it is based more than either of these upon estimates, it can in practice only be adopted with caution, save in cases where the experience of the past affords a really reliable indication as to the future.

(4) By charging Revenue with such a sum as will, at the expiration of the life of the asset, write off the original cost thereof, *plus* interest on the capital from time to time invested therein.

When the asset has more than a few years' life, this factor of interest is one that, in strictness, ought never to be lost sight of; but in practice it is not as a rule thought necessary to take interest into consideration, save in connection with Leases, where (as has already been explained on page 6) the question must of necessity be taken into account in order that each year's Revenue Account may be charged with the proper sum for the *use* of the premises occupied.

(5) By charging to Revenue in each year such a sum as represents the difference between the book value of the asset and its actual value at the present time, as ascertained by a revaluation made by an expert valuer.

This last method, while theoretically the most perfect, as enabling the assets to be brought into the Balance Sheet at a more theoretically correct basis of valuation, is as a rule very defective in practice, on account of the uneven sums that it charges against Revenue from year to year in respect of practically identical services rendered to Revenue by the assets in question. As an occasional check upon the rate of Depreciation employed, it is, however, extremely useful.

(6) By creating a Sinking Fund to provide for the Renewal of the asset at the expiration of its estimated life, the annual instalments of such Sinking Fund being charged against Revenue, along with either the actual or average expenditure upon repairs and small renewals.

The Sinking Fund method may be employed as supplemental to any of the previously named methods of providing for Depreciation, and in general it is desirable that this systematic means of providing an available sum of *money* to meet the cost of renewals should be employed, unless the actual expenditure that can be usefully incurred in each year on renewals is approximately uniform. The effect of charging against Revenue a provision for Depreciation is to retain in the business a corresponding amount of assets; that is to say, floating assets are increased to an extent corresponding with the estimated decrease in the value of fixed assets. There is a risk that, if not specially allocated, these floating assets may eventually get locked up so as to be not readily available for purposes of renewal when the proper time arrives, hence the convenience of Sinking Funds. Very commonly, however, when the Sinking Fund system is employed the procedure is simplified, the asset being allowed to stand in the books at its original cost, and the credit balance on Sinking Fund Account appearing as a separate item on the liabilities' side of the Balance Sheet as "Reserve for Depreciation." When the asset is "scrapped" the balance on the Asset Account is set off against the balance on the Reserve (Sinking Fund) Account, any deficiency being, of course, at once written off against Revenue, while the Sinking Fund investments are realised and provide the wherewithal for the purchase of new assets in place of the old ones. An alternative (and perhaps better) method is to state the assets in the Balance Sheet during the continuance of their life, subject to deduction therefrom of the balance from time to time appearing to the credit of the Sinking Fund Account, instead of showing the latter as a liability.

When the annual instalments in respect of Sinking Fund are not large, it will often be found more economical in the long run to take out a Sinking Fund Policy, or Policy of Leasehold Assurance, with one of the leading insurance companies, as by that means the existence of an exact sum at a given future date can be absolutely assured; whereas it is impossible to foresee the fluctuations that may take place in the market value of Sinking Fund investments, even if it were possible to absolutely determine in advance the exact rate of compound interest which the Sinking Fund instalments could be relied upon to yield in practice.

The application of the above-mentioned six methods of making provision for the depreciation of assets is well shown by the following

PROBLEM.—Show the different means by which provision may be made for charging against Revenue the cost of an asset having an estimated life of five years, the original cost being £1,000; assuming, further, that it is estimated that during the five years the expenditure on Repairs and small Renewals will be £120, the actual expenditure being subsequently ascertained to be as follows:—First year, nil; second year, £10; third year, £20; fourth year, £60; fifth year, £40.

METHOD I.—Under this method the asset is written-off out of Revenue by equal instalments of £200 per annum. The cost of Repairs, &c., is also debited to Revenue as incurred, so that the total charges to Revenue are:

1899	£200 0 0	
1900	210 0 0	
1901	220 0 0	
1902	260 0 0	
1903	240 0 0	
Total		£1,130 0 0

METHOD II.—Under this method it is necessary to charge Depreciation at the rate of (say) 50 per cent. per annum to arrive at anything approaching zero at the end of five years. [In practice this method would never be employed unless (*a*) the assumed life of the asset exceeded ten years, (*b*) some residual value remained at the end of the term which rendered the absolute zero unnecessary.]

The annual charges against Revenue (including repairs, &c.), are:—

1899	£500 0 0	
1900	260 0 0	
1901	145 0 0	
1902	122 10 0	
1903	102 10 0	
Total		£1,130 0 0

METHOD III.—Under this method the total charge against Revenue during the five years is estimated at £1,120. One-fifth of this is accordingly written off each year, any difference between the estimate and the actual result being corrected in the last year. Thus:—

1899	£224 0 0	
1900	224 0 0	
1901	224 0 0	
1902	224 0 0	
1903	234 0 0	
Total		£1,130 0 0

METHOD IV.—This method has already been mentioned upon page 6. The Asset Account in the Ledger appears as follows (assuming interest at 5 per cent.):—

Dr. ASSET ACCOUNT. *Cr.*

		£ s d			£ s d
1899	To Cost	1,000 0 0	1899	By Depreciation	231 0 0
	„ Interest	50 0 0		„ Balance	819 0 0
		£1,050 0 0			£1,050 0 0
1900	To Balance	819 0 0	1900	By Depreciation	231 0 0
	„ Interest	40 19 0		„ Balance	628 19 0
		£859 19 0			£859 19 0
1901	To Balance	628 19 0	1901	By Depreciation	231 0 0
	„ Interest	31 9 0		„ Balance	429 8 0
		£660 8 0			£660 8 0
1902	To Balance	429 8 0	1902	By Depreciation	231 0 0
	„ Interest	21 9 0		„ Balance	219 17 0
		£450 17 0			£450 17 0
1903	To Balance	219 17 0	1903	By Depreciation	231 0 0
	„ Interest	11 3 0			
		£231 0 0			£231 0 0

NOTE.—Following the usual practice, Depreciation has been reckoned only approximately, leaving a small balance to be adjusted in the last year.

The net charge to Revenue in each year is the difference between the Depreciation and the Interest, *plus* provision for Repairs. If repairs be dealt with under Method I., the total charges to Revenue are:—

1899	£181 0 0	
1900	200 1 0	
1901	219 11 0	
1902	269 11 0	
1903	259 17 0	
Total		£1,130 0 0

If Method III. be adopted as to Repairs, the annual charges work out thus:—

1899	£205 0 0	
1900	214 1 0	
1901	223 11 0	
1902	233 11 0	
1903	253 17 0	
Total		£1,130 0 0

METHOD V.—Under this method the charges against Revenue will be very unequal, and might quite conceivably be as follows:—

1899	£400 0 0	
1900	200 0 0	
1901	120 0 0	
1902	180 0 0	
1903	230 0 0	
Total		£1,130 0 0

METHOD VI.—This is the "Sinking Fund" method, and is fully described under that heading (*vide* page 249); excluding Repairs, &c., the annual charge against Revenue (at 3 per cent.) works out at about £188.

NECESSITY FOR DEPRECIATION.

The question as to whether it is invariably necessary to provide for the Depreciation of Wasting Assets may be usefully considered at this stage. That the matter may be clearly comprehended in its true light, it may be pointed out that all visible assets are in the nature of things non-permanent. That is to say, at some future date—more or less removed according to the nature of the assets—the time will come when they are either worn out, superseded by others of more modern type, or lost to the present holder. These assets are subject to the operations of wear and tear, but in addition certain assets—as, for example, Leaseholds and Patents—cease to be of value after the expiration of a certain number of years, because thereafter the benefit of them can no longer be enjoyed by the former owner. Thus, when a lease expires, the premises revert to the superior landlord; and when a patent lapses, the monopoly formerly enjoyed by the owner ceases, and although he may still retain a valuable asset in the shape of Goodwill, he can under no circumstances expect to continue to derive an income from royalties paid by licencees, certain assets—as, for example, Freehold Lands—are of such a character that for all practical purposes they are not subject to Depreciation,* while certain other assets (*e.g.*, Loose Tools) are of so ephemeral a character that they have to be continually replaced at short intervals, and, so long as they are so replaced, their depreciation in value during their short spell of life is so unimportant that it may safely be ignored. But, with these exceptions, it may be stated in general terms that all assets are liable to Depreciation. Apart from Freehold Lands, practically the only asset that is beyond the reach of Depreciation in the ordinary sense of the term is Goodwill. Goodwill is, of course, liable to considerable fluctuations in value from time to time, and it is safe to assume that in at all events the great majority of cases it cannot be regarded as an absolutely permanent asset; but it is not liable to any natural and inevitable process of decay, and therefore the necessity of systematically providing for Depreciation, as such, does not arise.

* This is, of course, disregarding risk of loss owing to earthquakes, volcanic eruption, &c. In a larger sense (thinking, so to speak, geologically) even freehold land is subject to depreciation as a non-permanent asset.

It should perhaps be added, however, that no Balance Sheet upon which the asset Goodwill appears can be regarded as being altogether satisfactory until a Reserve Fund has been accumulated out of profits of at least equal amount. Occasionally Goodwill is systematically written down out of profits, thus creating *pro tanto* a Secret Reserve.

This being the position of affairs, it is clear that, if provision be not made for Depreciation by charging a proper sum against Revenue in each year, the time will eventually come when either the undertaking must be abandoned, or else further Capital must be introduced into the business to enable new assets to be acquired for its continuance. The latter contingency ought never to arise if a proper system of accounting be employed, save under wholly exceptional circumstances—as, for instance, where an accident has destroyed certain assets owned by an undertaking, or when a new invention has suddenly and unexpectedly rendered valueless much valuable plant. The possibilities of this latter contingency ought never to be overlooked by business men, and so far as they can be reasonably foreseen they should be taken into account as a factor in Depreciation; but, inasmuch as loss under this heading can only be provided for by way of estimates, cases of insufficient provision may occur without anyone being seriously at fault, and under such circumstances the necessity may arise for introducing fresh capital to make good the ravages of Depreciation. Save, however, under these purely exceptional circumstances, *all* losses coming under this heading ought properly to be borne out of Revenue, and ought to be *systematically apportioned* against the profits earned during each year while the assets are in use; for the true profits of an undertaking can only be that surplus which remains after providing for *all* expenses of carrying on that undertaking upon a permanent basis.

Some undertakings, however, are of such a nature that it is not to be expected that they can be profitably carried on for an indefinite period. Their very object is ephemeral in its nature, and at the outset it was clearly foreseen that at some future (although, possibly, unknown) date the business will naturally and automatically come to an end. Under this heading may be included such concerns as the following:—A Single-ship Company, a Mine, Colliery, or Quarry, a Company (or partnership) formed to develop and sell a landed estate, to build upon and let leasehold lands, to work a patent or a few patents, or any novelty which by its nature cannot be expected to prove permanently attractive. In the case of all these undertakings the proprietors must have foreseen at the outset that the venture upon which they were embarked had only a limited span of life, and that therefore the concern would not last beyond a certain number of years; while in many cases it would be absolutely impossible for anyone to put, in advance, a definite limit upon its actual duration. In such cases it is practically impossible to make such a provision for Depreciation as will insure that the capital of the undertaking will be returned intact to the proprietors at the end of the venture, on account of the impossibility of accurately estimating in advance the *rate* at which Depreciation will take place; and under these circumstances—and these alone—the attempt to provide for Depreciation at all may be legitimately abandoned, so long as it is made clear that this course is being pursued, and that (*a*) at the expiration of the venture the whole, or the bulk, of the capital will have been dissipated; (*b*) the distributions made to proprietors during the continuance of the venture are not true net profits, but a surplus of incomings over outgoings, which includes the gradual distribution of capital.

One of the most obvious objections to this course of procedure is that it is inconvenient to investors to receive periodically sums which are compounded of Capital and Income, in that if they spend all dividends as received their capital becomes gradually dissipated; while a further objection that may be raised is that, under these circumstances, the instalments of Capital as well as the pure profit have to bear Income Tax. On the other hand, if the attempt were made in all good faith to provide for Depreciation, it is quite likely that such provision

as might be made would be subsequently found to be insufficient, so that, in spite of all endeavours, the dividends distributed would very probably exceed the true profits earned. Moreover, the accumulation in the hands of the managers of large funds to compensate for the wastage in the value of Fixed Assets might in many cases present undesirable features, as those who may safely be entrusted with the business management of undertakings of this description may not necessarily be possessed of sufficient financial ability to invest such funds to the best advantage. If, therefore, an undertaking is by its nature of a non-permanent character, provision for Depreciation may not improperly be ignored, so long as the inevitable consequences of so doing are clearly appreciated. If, however, the company, or partnership, is intended to be permanent, even although its "objects" be ephemeral, proper provision for Depreciation must in all cases be made in order to ensure the permanence of the undertaking as a whole. Thus, if a company be formed to carry on a general shipping business, provision must be made for Depreciation, so that new ships may be purchased as the old ones become worn out, without the necessity of raising further capital; and similarly of a company being formed for the general purpose of speculating in land, and blocks of land are developed and sold, only the *profit* on such sales may be distributed, after providing for all known and expected losses and shrinkages, as otherwise the capital will gradually become depleted, and the time will eventually arrive when future operations are impossible, on account of insufficiency of funds.

A question that is at the present time exercising the minds of many is as to whether Local Authorities need provide for the Depreciation of Fixed Assets acquired by them for trading purposes. In a general work of this description it is impossible to deal otherwise than generally with this particular matter.* It may be pointed out, however, that the principles of accounting are of general application, and that if a trading business be so conducted that *no* provision is made for the Depreciation of its Fixed Assets, the accounts will show a balance in excess of the true Net Profit earned; and if, therefore, the whole of that balance be distributed from year to year, the capital of the undertaking will be gradually depleted, and the time will eventually come when either the venture has to be abandoned or fresh capital raised to enable it to be continued. On the grounds, therefore, of business common-sense and prudence, every argument would appear to be in favour of due provision being made for Depreciation, here as elsewhere. The repayment of borrowed capital, although compulsory in the case of Local Authorities, is not a Revenue charge; to arrive at the true profit of a municipal trading department, therefore, Sinking Fund charges should be excluded and Depreciation should be included. Owing to the anomalies of the equated period system of granting loans, the two are by no means interchangeable terms.

RESERVES AND RESERVE FUNDS.

It would appear that these terms are in practice used somewhat loosely, different meanings being attached to them by different persons. In his work on "Auditors: their Duties and Responsibilities," Mr. Francis W. Pixley, F.C.A., states that there is "a distinct difference" between the two terms. "A "Reserve," he considers, "is merely the surplus of "the credit side of the Balance Sheet over its debit "side, although perhaps the Reserve may be divided "under two or three different headings, such as "'Reserve' and 'Balance of Profit and Loss "'Account carried forward.' A Reserve of this "nature is either a provision against loss of "Capital or a Reserve for the equalisation of "dividends, or a Reserve as an extra inducement to "those with whom the company may do business to "give credit. A Reserve Fund, however, is not "merely a surplus shown on the debit side of the "Balance Sheet, but must be represented by special "investments which may, or may not, be shown distinctly on the credit side of the Balance Sheet. If, "therefore, the Reserve is used in the general business of the company it is not a Reserve Fund,

* It is discussed fully in the Author's "Depreciation, Reserves, and Reserve Funds." (Gee & Co., price 3/6 net.)

"although perhaps the term might be properly so "used, if some stock used in the ordinary course of "the business were specially set aside, and when "made use of represented by cash set aside, until "reinvested in further stocks specially ear-marked."

The above view is one that is very prominent in certain quarters, and it must be admitted that, inasmuch as there is a very general impression on the part of the public that the term "Reserve Fund" signifies that a corresponding amount of profits has been retained by the company, *and invested* to provide against future contingencies, it is perhaps desirable that more care should be devoted to the nomenclature of this important item than is generally observed. It will be noted, however, that Mr. Pixley advances no specific authority in support of his definitions of the terms "Reserve" and "Reserve Fund," and it may be added that his views upon the subject are by no means universally accepted. In particular, Mr. T. A. Welton, F.C.A., holds the view that, so long as divisible profits are not divided, they may properly be described as "Reserve Fund," no matter what the form of the assets may be; and as a matter of account this would appear to be the sounder view, in that it is impossible to state that any particular credit balance in a Ledger is represented by, or represents, any particular debit balance in that Ledger. That is to say, short of actually lodging assets with, or charging them in favour of, creditors as security, it is impossible to ear-mark certain assets as in any way "representing" certain liabilities: the whole of the assets must be marshalled against the whole of the liabilities in the form in which they appear in a Balance Sheet, as ordinarily constructed.

For these reasons, the writer favours the view endorsed by Mr. Welton, that the term "Reserve Fund," properly understood, means neither more nor less than undivided profits which have been formally "reserved" when they might have been divided; while the term "Reserve" means a provision for an expected loss or liability that has not as yet been definitely ascertained. At the same time, it must be admitted that the uncertainty with regard to the exact meaning of these important terms in any particular case is greatly to be regretted. In considering further the the nature of Reserves and Reserve Funds, and their respective functions in accounts, however, it must be understood that the former term is applied to those provisions which are properly charges *against* profits, and which have to be made before arriving at true Net Profits that are properly divisible; while the latter term will be employed to designate true Net Profits, that might have been divided as such, but which have been reserved, or capitalised *pro tem.*

Since the first edition of this work was issued the views above expressed have been endorsed by Mr. W. Plender, F.C.A., who, as an independent shareholder of a company whose accounts had been attacked by certain dissentient members, adopted the practice (quite unusual with a shareholder who is not a member of the board) of seconding the Directors' Report and Accounts. It is thought that Mr. Plender's speech upon this occasion is of sufficient interest in connection with this subject to justify reproduction in full. It was as follows:—

"I think that, in view of the circumstances under which the company is labouring at the present time, it may not be inadvisable if an independent shareholder from this side of the table seconds the resolution, and supplements, in a very brief manner, the statement the Chairman has made in reference to the circular which we have all received. There are only two or three matters in that circular that I would refer to; but, not being altogether unfamiliar with the Accounts and Balance Sheets of companies, it may not be inopportune if I refer to certain charges relating to the treatment of the Premiums received, the allegation of the Balance Sheet being false, and the question of the illusory character of the Reserve. A very simple examination of the Balance Sheets and Reports of the company clearly reveals the fact that the premiums received by the Directors have been accounted for. A simple arithmetical sum, consisting of four items taken from the Balance Sheets between 1899 and 1902, indicates clearly that £390,000 of the Reserve is represented by premiums received, and the remaining £10,000, making up the £400,000, is the figure on the Balance Sheet; and even a cursory reading of the Directors' Report makes it obvious that the difference between the total premiums received of £513,000 and the £390,000 I have mentioned has been used in writing off the various items of expenditure which the Chairman has enumerated, all of which charges are, in my opinion, perfectly proper and legitimate charges to which to devote the premiums received

on shares. As regards the Balance Sheet being misleading, I can only say that I have examined it somewhat closely, and I express unhesitatingly the opinion that it is perfectly in order, and truly represents the condition of the company at its date. With regard to the illusory character of the Reserve, I would say this about it: In a financial undertaking, or a bank, it is manifestly necessary that the Reserve should exist in the form of liquid securities that can be readily realised to meet a run on the part of depositors or loan creditors; and in the case of a commercial undertaking, where assets have to be replaced at intervals, it is also desirable—as, for example, in a Cable Company—that Reserves should be invested so that at a moment's notice the money may be realised and ready to reinvest in the company's property; but in the case of a commercial undertaking such as this the circumstances are different. There is no call for the money being needed at once. The best investment is in large revenue-producing properties, and, were the Directors to invest this outside, the result would be that they would have to issue, obviously, more capital, and so widen the area upon which interest or dividends must be paid. The effect of that is, obviously, to reduce the rate of dividend which would be distributable among the shareholders. That cannot, therefore, be in the shareholders' interests. Well, I do not want to say anything more about these Reserves and Accounts. They have been dealt with very fully by the Chairman; but perhaps I may be allowed to make this general observation, not only in our own interests, but in the interests of the public generally. Criticism that is intelligent and *bonâ fide* is always welcomed by boards of directors and by shareholders, but criticism that does not possess those qualities, and is, in fact, malignant, cannot deserve too severely our condemnation. I am sure that the Directors of this company will receive our support, and, in condemning the character of the circular which we have received, you will join with me in letting the Directors see how much we appreciate their services; for those services have brought this company into a condition of prosperity that is hardly paralleled in the history of joint-stock enterprises."

RESERVES.

Following the lines indicated in the preceding paragraphs, the necessity for providing for Reserves arises whenever it is required to charge something against profits, to represent an expense, or loss, which is known (or believed) to have been incurred. Thus a Reserve may be made to provide against loss from Bad and Doubtful Debts, to provide for Depreciation (*i.e.*, to pay the cost of renewals), or to provide against loss incurred in connection with a pending claim or action. Debts known to be irrecoverable would naturally be written off to the debit of Bad Debts in the ordinary way; but in addition it is generally necessary to make some further provision for loss under this heading, while it is clearly undesirable to actually write off debts so long as there remains any probability of their being eventually collected. Again, in some cases, with a view to averaging the charges against successive years, it is thought that the best way of providing against loss under this heading is by way of a percentage on the Sales which experience has shown to be reasonable and sufficient. Under these circumstances, it becomes necessary to pass an entry through the Journal, debiting Bad Debts Account with the estimated loss; but because there is no other Ledger Account that can be conveniently credited, an account has to be opened, entitled "Reserve for Bad and Doubtful Debts Account." The balance of this latter may appear upon the liabilities' side of the Balance Sheet; it is preferable, however, in the case of Reserve Accounts raised to provide for shrinkage in the value of specific assets, to deduct them from those particular assets, in which case, of course, no entry whatever will appear upon the liabilities' side of the Balance Sheet. The amount of the Reserve may, if thought desirable, be shown in detail upon the face of the Balance Sheet as a deduction, or, if preferred, the net value placed upon the Book Debts may alone appear there.

With regard to Reserves for Depreciation, the more usual course is to credit the Asset Account with such provision as it may be thought necessary to charge against Revenue; but sometimes this course is inconvenient—as, for example, when Depreciation is provided for by way of a fixed percentage upon the original cost of the assets, and further additions have to be debited to the Ledger Account from time to time. If, under these circumstances, Depreciation were credited to the Ledger Account, the balance periodically brought down would not show the total cost, but the total cost *less* Depreciation, and a calculation would have to be made every time in order to arrive at the amount upon which Depreciation must be charged. In such cases it is better to open a Reserve Account, to which the provision for Depreciation may be credited. In the Balance Sheet

the credit balance of this account should in all cases be deducted from the asset against which the provision is being accumulated; but the practice of showing the credit balance separately upon the liabilities' side of the Balance Sheet is not uncommon. This is especially to be deprecated when the item bears the undistinctive title of "Reserve Account," for under such circumstances it might readily be supposed that the balance of the Reserve Account represented undivided profits, whereas it represents in fact admitted *losses* that should have been deducted from the assets which are estimated to be of less value than their respective Ledger balances. If, therefore, a Reserve for Depreciation be placed upon the liabilities' side of the Balance Sheet at all (as may sometimes be necessary, if it includes provision against a loss arising from several different classes of assets), it should be clearly stated as "Reserve for Depreciation," and not as "Reserve" or "Reserve Account."

The third kind of Reserve is neither more nor less than a Suspense Account, and, if it is separately shown upon the liabilities' side of the Balance Sheet, should be so styled, in order to avoid any possibility of its being confused with undivided profits. Unless, however, the item is a relatively large one, it might reasonably be added to the "Sundry Creditors," instead of being separately shown.

RESERVE FUNDS.

A Reserve Fund, as has already been stated, is an item appearing upon the liabilities' side of a Balance Sheet, represented by a credit balance upon a corresponding Ledger Account which has been formed by the transfer to this account of items which from time to time have been debited to Net Profit Account. It intimates that there are in existence undivided profits of a corresponding amount, and, in the view of the writer, so long as these profits remain in existence and undivided the item is correctly described, no matter what form the assets of the undertaking may take from time to time. If, however, a loss is subsequently experienced which throws the balance of Profit and Loss Account to the debit side, then any balance of profits carried forward from the previous period must forthwith be applied towards the reduction or extinction of this debit balance, and any deficiency remaining thereafter must be debited to the Reserve Fund (in so far as the latter will allow), to record the fact that these profits are no longer in existence, they having been eaten up by subsequent losses. This, it is conceived, is the true nature of a Reserve Fund. Its continued existence depends upon the continued existence of a corresponding surplus of assets over liabilities and capital, without being in any way concerned with the form—as contrasted with the value—of those assets. It may be added that a Reserve Fund may cease to exist owing to subsequent losses, *notwithstanding the fact that there still remains in existence a specific investment of the value of the amount originally standing to the credit of Reserve Fund Account;* and *per contra* fluctuations in the value of an investment supposed to represent the Reserve Fund would not automatically and directly affect the balance of the Reserve Fund Account, but would (if taken into account at all) be properly debited, or credited, to Revenue. It has been held (*Re Hoare & Co., Lim.* [1904] C.A.) that, in connection with a scheme for reduction of capital, a Reserve Fund need not necessarily be wiped out of existence before it can be said that there has been an actual loss of capital: this ruling is doubtless convenient in the interests of commercial morality, but undoubtedly a Reserve Fund that is not represented by a corresponding excess in the value of assets over liabilities plus paid-up capital can have no real existence.

But although it is thought that the idea that there is an intimate connection between the Reserve Fund and a corresponding investment in "gilt-edged" securities is based upon an illusion, it must not be supposed that it is sought to discourage the practice—very general among prudent business men—of investing surplus assets in such a form that they are readily available in case of need. The whole object of refraining from dividing profits up to the hilt is to place the company in a more advantageous position, and it is a question of business policy as to how that end may be best achieved. Usually it is

desirable to invest (in Consols, or some other high-class security) a sum equal to the amount of profits reserved, as such a sum is thus rendered readily available in case of need, while in the meantime it earns a fair—although not very tempting—rate of interest. But cases may easily arise in which the reason for reserving profits is because, owing to increasing business, the working capital of the undertaking is found to be insufficient, and it is not thought desirable to raise further capital. Under such circumstances it is not only perfectly legitimate, but actually wise, to employ the assets represented by the undivided profits as working capital, or (as it is commonly termed) to invest the Reserve Fund in the business itself. It would be manifestly bad management to invest, say, £1,000, in Consols at a time while interest at 5 or 6 per cent. was being paid to debenture-holders, or upon a bank overdraft. But unless there is any specific reason why reserved profits should *not* be invested, it is always desirable that they should be so dealt with; otherwise the working capital will be in excess of the legitimate requirements of the business, when due attention may perhaps not be given to the prompt turning of floating assets into cash. The whole matter, however, as has already been stated, is one of administration rather than of general principle.

SINKING FUNDS.

When it is desired to accumulate a certain specific sum at the end of a definite period, in such a manner that the withdrawal of a corresponding amount of money from the business will cause no inconvenience, recourse is had to a Sinking Fund. An estimate is made of the amount of interest that can be earned upon outside investments, and the amount that must be annually invested to produce the required sum is ascertained, upon the footing that the income derived from the investments is to be reinvested so that the whole may accumulate at compound interest. In practice, however, a certain margin must invariably be allowed to compensate for the loss of time in effecting such reinvestments, and it is prudent also to provide a further margin in case of a possible decline in the market price of the securities selected when the whole of the investment has to be sold.

When the object of accumulating the moneys in question is to provide for the replacement of assets that will then be worn out, or otherwise valueless, the cost of making such provision is a charge against profits in the nature of Depreciation. But when the object is to provide for the repayment of borrowed money—as, for example, an issue of debentures—the cost is not properly chargeable against Revenue, for the payment of debts as they become due is not *per se* a Revenue charge. If, however, the liability (for the eventual repayment of which provision is being made) was originally incurred for the sake of providing working capital, then it is clear that when it is repaid working capital will to a corresponding extent be depleted, and if it be proposed to avoid this undesirable contingency the only possible alternatives are either (1) to re-borrow in the future, or (2) to provide for the repayment of loans out of profits. If it were desired to re-borrow in the future, no Sinking Fund would be necessary, for the old loan might in that case be paid off out of the new one; but if it be desired to pay off borrowed working capital out of profits, it is clear that profits must be specifically allocated to that purpose and not otherwise employed. Hence the necessity of providing a Sinking Fund, which, under these circumstances, is similar to a Reserve Fund systematically formed and invested outside the business, save that the income derived from the investments is credited to the Sinking Fund Account instead of being credited to Revenue.

It will thus be seen that the formation of a Sinking Fund involves two distinct sets of operations. In the first place, Sinking Fund must be credited annually with the prescribed instalments, which must be debited either to Profit and Loss Account or to Net Profit Account, according to whether the Fund is raised to replace wasting assets or to discharge liabilities; and, in the second place, Cash must be credited and Sinking Fund Investment Account debited with a corresponding sum, which must be taken out of the business and invested.

Income received from investments must be debited to Cash, and credited to Sinking Fund Account, and from time to time a corresponding sum must be reinvested, being credited to Cash Account and debited to Sinking Fund Investment Account. Theoretically, the Sinking Fund instalments may be accurately determined in advance, but in practice they will probably have to be modified from time to time, in order to ensure the realisable value of the investments reaching the prescribed sum at the future date already determined upon. When that date arrives, the investments will be sold, Sinking Fund Investment Account credited, and Cash debited. There is thus money in hand, available for the purpose for which the Sinking Fund was originally created. If that purpose was the replacement of assets, entries should be passed through the books writing off the amount standing to the debit of the various assets that have now become valueless, and debiting Sinking Fund Account therewith. If the Sinking Fund Account then shows a debit balance, the provision made in the past will have been insufficient to cover the realised loss, and the balance must therefore now be written off as an ascertained loss. If, on the other hand, the account shows a credit balance, the provision is in excess of the actual requirements, and such balance might be credited to Revenue, although it would doubtless be more prudent to transfer it to the credit of Reserve Fund. When the Sinking Fund has been created for the purpose of redeeming liabilities at a future date out of profits, and that end has been achieved, the balance to the credit of Sinking Fund Account should be transferred to the credit of Reserve Fund, representing—as it does—profits that have been reserved, instead of being distributed among the proprietors by way of dividend.

The employment of Sinking Funds for the purpose of providing for the repayment of liabilities is common in the case of Local Authorities, which are authorised to raise such funds as may be necessary for their purposes by the issue of Loans, subject to their providing for the redemption of such Loans at the end of a prescribed period by the creation of a Sinking Fund, charging the annual instalments in respect thereof against Revenue. The conditions under which such Loans have been sanctioned by the Local Government Board have varied considerably from time to time, and from first to last would appear not to have been based upon any very definite principle; save that, of late, inquiry has been made as to the probable working life of the assets proposed to be acquired with the proceeds of the Loan, and the term of the Loan has usually been fixed approximately at the average estimated life of the assets. Simultaneously the impression has grown up—and would appear to be very widely held at the present time—that because provision is thus systematically made for the eventual repayment of the Loan, no necessity exists for a Local Authority to provide, in addition, for the Depreciation of its assets. It is conceivable that in some cases it may so happen that the amount of the annual Sinking Fund instalment is equal to an adequate charge for Depreciation; but it cannot be too clearly stated that Sinking Fund is not *per se* a Revenue charge, and that its creation cannot therefore be regarded as in any way equivalent to—or in substitution for—Depreciation, which is a necessary charge against Revenue. The effective provision of a Sinking Fund will enable a Local Authority to accumulate a sufficient sum to repay the original Loan at the date when it matures; and upon such repayment, the regulations of the Local Government Board will allow further Loans to be sanctioned for renewal purposes. It will be observed, therefore, that Loan sanctions are by no means necessarily restricted to Capital Expenditure, and *per contra* it may be mentioned that there are certain classes of Capital Expenditure for which borrowing is not permitted It is, however, owing to Loans being issued for an equated period that the assumption that Sinking Fund is equivalent to Depreciation breaks down altogether. Loans being in all cases issued for a period more or less corresponding to the estimated average life of the somewhat miscellaneous assets proposed to be acquired, it follows that, while many of such assets will have an estimated life exceeding the loan period, others will have an estimated life of

considerably less duration. Thus renewals upon a somewhat extensive scale will become necessary at various periods during the continuance of the Loan. In spite of such renewals no further borrowings will be sanctioned, except to the extent to which provision has already been made by way of Sinking Fund for the redemption of the original Loan. Thus in the case of these "short-lived" assets, the cost of renewal—if they are to be renewed at all—must of necessity be borne out of Revenue. Consequently some charge in addition to Sinking Fund must be provided out of Revenue during the currency of the Loan; and, to avoid that charge falling unequally and unfairly against the several years comprised in the loan period, it is important that a Reserve should be systematically built up to equalise the charge against Revenue in respect of the cost of those renewals in respect of which no re-borrowing is permitted.

SECRET RESERVES.

The term "Secret Reserve" is applied to a Reserve Fund that does not appear upon the face of the published accounts, which accordingly underrate the financial soundness of the position of the undertaking. A Secret Reserve can, of course, only be created by making charges against Revenue which are unnecessary, and *per contra* either inflating the liabilities, or unnecessarily writing down the assets of the undertaking. It is impossible to say that where a Secret Reserve exists there has been a complete disclosure to shareholders of the whole of the company's affairs; but the practice is so very general among thoroughly sound concerns, is so well understood, and is in practice generally conducive to such good results, that a course of procedure which is theoretically entirely indefensible seems amply justified in practice.

The arguments in favour of a Secret Reserve are, first, that exceptional losses may be sustained without any shock to the stability of the undertaking: thus the serious fall in the price of Consols during the past ten years or so has been met by the leading banks, insurance companies, &c., without any recourse to current Revenue. The advantages of such a conservative basis of valuation for assets are, it is thought, sufficiently obvious. The disadvantages are that losses arising from reckless speculation can be concealed from shareholders with equal facility, and that, as the whole of the profits are not disclosed, the market price of the company's shares may well be found to be below their intrinsic value. In the same way, heavy losses arising through Bad Debts, a fall in exchange, &c., may be made good out of Secret Reserves without recourse being had to the profits of the year current when the loss is ascertained. The same advantages and objections will be found to apply here. A second advantage claimed for Secret Reserves is that a business which of necessity produces highly fluctuating profits may by this means be made to show steadily progressive results. Here again, however, the desired end is only achieved by a suppression of material facts, and the propriety of deliberately concealing the fact that the business is of a fluctuating (and therefore of a more or less speculative) character may well be questioned. A more potent argument in favour of Secret Reserves is to be found in the known weakness of shareholders in favour of large dividends. Substantial Reserve Funds may be absolutely essential for the continued welfare of an undertaking, but in practice it may be found extremely difficult to raise them if the full facts be disclosed. The purity of the end may in this case be held to some extent to justify the questionable means employed.

But whatever arguments may be put forward in justification of the policy of creating Secret Reserves, it is impossible to lose sight of the fact that, unless the utmost confidence can be felt in those responsible for the management of the undertaking, the practice is one fraught with very considerable risk. Obviously, the only way of falling back upon a Secret Reserve to inflate the profits during a "lean" period of trade is by writing *up* some asset that has previously been written down, or by writing down some liability that has previously been written up. There are cases upon record in which a fraudulent Managing Director has

been able to induce his subordinates to certify fictitious valuations of Stock, Plant, &c., by alleging that the necessity had arisen to write up this asset, but that the excess was "more than covered" by an existing Secret Reserve, when in point of fact the whole of the Secret Reserve that had at one time existed had been utilised long since for this very purpose. It may be added that, even where there is a Secret Reserve in existence, which has been created (say) by making an excessive provision for Bad and Doubtful Debts in past years, that Secret Reserve cannot be utilised for making good a loss arising from unprofitable trading without producing accounts so warped as to seriously interfere with their value for comparative purposes; and in the same way, if a Stock which in previous years has been "taken low" be written up to compensate for the loss arising from an exceptionally heavy bad debt, the results shown by the accounts will be quite misleading. The whole question is a most difficult one; but in general it is thought that the more straightforward practice of accumulating a substantial Reserve Fund, and having recourse to that Reserve Fund for the equalisation of dividends, is to be preferred, as being considerably less liable to abuse.

CHAPTER XXI.

PAYMENTS BY INSTALMENTS AND INTEREST.

IN certain classes of undertakings the transactions —or a considerable part thereof—involve dealings on credit extending for a term of years, the indebtedness so created being liquidated by equal periodical instalments. Unless the period be quite a short one, it becomes, under these circumstances, important to consider the question of interest if the profits of successive years are to be accurately determined. In some cases the transactions are clearly stated to involve the question of interest—as, for example, when money is lent out on mortgage by a Building Society, or when a manufacturer of railway wagons disposes of them under a hire-purchase agreement—while in other cases (as, for example, in the Furniture, Musical Instrument, and Bicycle trades) a higher price is charged for instalment transactions, which covers interest without any exact rate being prescribed. In both cases, however, the question of interest must be carefully taken into consideration.

It will be convenient in the first instance to describe the general principles involved, as exemplified in the case of hire-purchase agreements for railway wagons, as the problem here is of especial significance both to the manufacturer and to the hirer. The manufacturer is concerned in distinguishing between the Gross Profit on trading, which (with a reasonable reserve for contingencies) may fairly be stated to have been earned upon the execution of the hire-purchase agreement, and the income that he derives from interest charged to customers as compensation for the extended terms of credit given. To the hirer the question of interest is of importance, in that the aggregate amount of instalments paid by him under the hire-purchase agreement is naturally in excess of the intrinsic value of the assets acquired. It would consequently be improper for him to capitalise the whole amount of such instalments; while, for the purpose of debiting each year's Revenue Account with its proper charges, it becomes important to ascertain how much of each instalment represents interest, and how much may properly be capitalised. The necessity for going into the matter thus exhaustively arises from the fact that those industries which acquire wagons on the hire-purchase system at all (Collieries, Quarries, and the like) usually engage upon those transactions to an extent which—as compared with their transactions as a whole—renders the matter one of serious import, if the true result of those transactions in the aggregate is to be correctly shown by the accounts. On the other hand, some transactions of a similar nature—*e.g.*, the acquisition of a Musical Instrument, a Bicycle, or an Encyclopædia on terms of deferred payment—are as a rule

relatively unimportant to the hirer, and in consequence such a nice distinction between Capital and Revenue—and especially between the Revenue charges of successive years—need not be made. Exceptions, however, will arise even here. Thus if a hotel, or a boarding house, be furnished on the hire-purchase system, the transaction is of sufficient importance to call for treatment upon scientific lines in the accounts of the undertaking; and similarly, if a musical academy were to acquire its pianos upon these terms, the matter would be of sufficient importance, as compared with the transactions as a whole, to call for proper treatment. In such cases the record of the transactions, from the hirer's point of view, will be the converse of the record from the point of view of the manufacturer, and it is therefore unnecessary to deal with the matter in further detail, as the record in connection with Colliery Accounts is fully described.

WAGON HIRE-PURCHASE AGREEMENTS.

The general nature of a contract of this description is that, if the "tenant" (*i.e.*, the hirer) makes the necessary periodical payments regularly, the manufacturer agrees to hand over the ownership of the articles in question to him at the end of the prescribed term upon the payment of a further nominal sum. There are various other conditions which, in practice, may have some bearing upon the contract, but these are the main features that have to be taken into consideration in connection with the treatment of the contract as a matter of account.

IN MANUFACTURERS' ACCOUNTS.—It is obvious that, from the point of view of the manufacturer, it would be most improper—even although it might perhaps be technically correct—to treat these instalments as simple hire, and at the end of the term (if they have been punctually paid and the further nominal consideration duly paid) treat the articles in question as a *gift* from the manufacturer to the tenant. The right course for the manufacturer is unquestionably for him to regard all these transactions as *sales* of the articles in question, he at the same time lending to the purchaser the whole of the purchase-money, upon consideration of its being paid back to him by instalments with interest.

All the material information which would be expressed in any hire-purchase agreement would be (1) the number of instalments, (2) the period over which they are extended, and (3) the amount of each instalment. It is obvious, however, that the manufacturer cannot treat the transaction as being a sale to the exent of the aggregate amount of the instalments, inasmuch as interest has been added and the amounts of the instalments equalised. It is, therefore, only proper for him to credit his Trading Account at the outset with the "present value" of these future repayments. In order to arrive at this figure it is, of course, absolutely essential to first of all assess the rate of interest which the manufacturer reckons to get, as a consideration for the delay in payment of the purchase-price. This is, under ordinary circumstances, either 5 per cent. or 6 per cent.; but usually the calculations are not worked out accurately, the instalments being taken at some more or less round sum approximating to what the amount would come to if worked out exactly. Still, the proper course to pursue is, no doubt, to assume a fixed rate of interest, and upon this basis to arrive at the present value of the sum of the future instalments. This present value may be taken as the cash value of the article sold, and the transaction may be treated as a sale for that amount; *per contra*, it must be regarded as an advance to the purchaser of a corresponding amount. To the debit of this Advance Account, interest at 6 per cent. (or whatever the rate may be) will be added from time to time, and the actual instalments received will be credited; so that by the time the agreement expires there is no balance to either the debit or credit of the account.

EXAMPLE:

A. JONES. CONTRA.

Dr. Agreement No. 4,061 (10 half-yearly payments of £7 0s. 8d. *Cr.*

Date		£	s	d	Date		£	s	d
1892		£	s	d	1892		£	s	d
Jan. 1	To Sales Account ..	60	0	0	June 30	By Cash ..	7	0	8
June 30	„ Interest ..	1	16	0	Dec. 31	„ „ ..	7	0	8
Dec. 31	„ „ ..	1	12	10		„ „ Balance ..	49	7	6
		£63	8	10			£63	8	10
1893					1893				
Jan. 1	To Balance ..	49	7	6	June 30	By Cash ..	7	0	8
June 30	„ Interest ..	1	9	8	Dec. 31	„ „ ..	7	0	8
Dec. 31	„ „ ..	1	6	3		„ „ Balance ..	38	2	1
		£52	3	5			£52	3	5
1894					1894				
Jan. 1	To Balance ..	38	2	1	June 30	By Cash ..	7	0	8
June 30	„ Interest ..	1	2	10	Dec. 31	„ „ ..	7	0	8
Dec. 31	„ „ ..	0	19	3		„ „ Balance ..	26	2	10
		£40	4	2			£40	4	2
1895					1895				
Jan. 1	To Balance ..	26	2	10	June 30	By Cash ..	7	0	8
June 30	„ Interest ..	0	15	8	Dec. 31	„ „ ..	7	0	8
Dec. 31	„ „ ..	0	11	11		„ „ Balance ..	13	9	1
		£27	10	5			£27	10	5
1896					1896				
Jan. 1	To Balance ..	13	9	1	June 30	By Cash ..	7	0	8
June 30	„ Interest ..	0	8	1	Dec. 31	„ „ ..	7	0	8
Dec. 31	„ „ ..	0	4	2					
		£14	1	4			£14	1	4

In the above example the interest is worked out at half-yearly rests, but it may be added that many manufacturers use yearly rests, even when the instalments are payable half-yearly or quarterly.

It will be seen that the arrangement which is embodied in the above account is for the payment of half-yearly instalments, the first taking place six months after the execution of the agreement. It is not always, however, that this is the nature of the transaction. It frequently happens that the manufacturer requires the first instalment to be paid on the signing of the agreement. When this course is adopted it will be found to materially affect the "cash value" of the article, inasmuch as there are by this means only *nine* instalments of interest to be debited instead of ten, and these in each case upon a smaller amount. Instead of the "cash value" being £60—as stated in the *pro formâ* example—it will be £61 16s. 0d. (*i.e.*, £60 *plus* six months' interest thereon), if the instalments were required to be made *in advance* for each half-year. It will thus be seen how very important it is that these transactions should be treated upon a proper basis at the outset, for obviously a difference of 3 per cent. in the price of the goods sold would make a very considerable difference in the amount to be taken to the credit of Profit and Loss Account, as being the gross profit upon the sales. If the interest were taken at yearly rests, and the instalments were paid annually, the difference would be proportionately greater—*i.e.*, 6 per cent.

Attention has already been drawn to the fact that this treatment of hire-purchase transactions is a purely artificial one. There is no compulsion on the part of the tenant to continue paying the instalments, if it suits his purpose better to cancel the agreement and return the wagons. While the agreement continues, however, he is liable for the wagons being kept in good repair, and has to continue to punctually pay the instalments arranged. The result of this is that, even if the tenant chooses at some subsequent date to cancel the agreement and return the

wagons, in the majority of cases the result will be an additional profit to the manufacturer. But this would not necessarily follow if the wagons were new at the date of executing the agreement and were returned, say, within one year from that date. In that case there might be a loss, and to that extent the treatment just described may be said to be unduly favourable, having regard to the worst possible contingencies. But it is so rarely that these agreements are cancelled in the first year or so that this consideration may be disregarded, it being probable that the few cases in which it occurs will be very much more than counterbalanced by those in which default is made at a later period of the currency of the agreement, in which case the manufacturer reaps a profit.

In point of fact, it is generally admitted that—at all events after the first two years have been completed—the tenant possesses some value in his agreement, even if he decide to discontinue the payments; and it is by no means unusual for him either to sell his rights under the agreement to some other person who is desirous of acquiring the wagons upon a hire-purchase system (obtaining the manufacturer's consent to the transfer), or for the manufacturer himself to pay some cash consideration to the tenant if the latter decides to abandon his rights under the agreement and return the wagons in good condition. That being so, it may be taken that the asset standing in the manufacturer's books, as being the amount due upon the loan of the purchase-money for the wagons, is generally a good asset for that amount, even if default should be made by the tenant.

IN HIRERS' ACCOUNTS.—It now becomes necessary to consider how these transactions should be dealt with in the books of the tenant or hirer. In view of the fact already mentioned, that the ownership of the goods remains with the manufacturer until the completion of the whole transaction, it might be argued that, strictly speaking, the whole of the instalments should be charged against Revenue. On the other hand, it is obvious that this would very unduly affect the profits of the earlier years, for the simple reason that the instalments on a hire-purchase agreement are very much heavier than upon a simple hiring agreement (being, as a rule, something more than twice the amount), so that during the earlier years the undertaking would appear to be losing money by entering into hire-purchase agreements at all; whereas this is by no means the case in reality, the instalments being a wise capital outlay for the purpose of acquiring fixed assets at a future date. It will thus be seen that, even if the very strictest view of the position of affairs be taken, it is not necessary to charge against Revenue a larger proportion of the hire-purchase instalment than the amount for which the use of the wagons in question could have been obtained upon simple hire. Even this is really too much to charge, because the wagon companies naturally look to make a larger profit out of hiring than out of hire-purchase agreements. It therefore becomes necessary to go into the matter very much more exhaustively; and, assuming that almost all these transactions are negotiated upon a basis of 6 per cent. interest by half-yearly rests, it is thought that the following table, which shows the cash value of a wagon upon which half-yearly instalments of £5 are payable for any period from one to five years, will be found of use. As already stated, the usual term of these agreements is five years, but a very considerable number are for 3, 3½, or 4 years.

EXAMPLE:

TABLE showing cash value of debt repayable by half-yearly instalments of £5 each (rate of interest=6 per cent., calculated at half-yearly rests).

Number of Instalments unpaid	Cash Value £	s	d
2 (Agreement one year to run)	9	11	5
4 (,, two years ,,)	18	11	9
6 (,, three ,, ,,)	27	1	8
8 (,, four ,, ,,)	35	1	11
10 (,, five ,, ,,)	42	13	0

From the above table it will be seen that, assuming a hire-purchase agreement were entered into under which the tenant paid £10 per annum by half-yearly instalments during five years, the cash value of the wagon must be taken as being £42 13s., allowing interest at the rate of 6 per cent. with half-yearly

rests. At the end of the first year (that is to say, after two instalments have been paid) the amount standing to the debit of Loan Account in the manufacturer's books will be reduced to £35 1s. 11d., at the end of the second year to £27 1s. 8d., at the end of the third year to £18 11s. 9d., and at the end of the fourth year to £9 11s. 5d., which amount would be altogether extinguished at the end of the fifth year.

To a certain extent, this position of affairs may be taken as reciprocal—*i.e.*, the difference between the original cash value and the reduced cash value in the manufacturer's books from time to time may be taken as being the investment of capital by the tenant in the property in question. There are, however, other considerations to be borne in mind; and for the sake of bringing these more prominently forward, it seems desirable to take a concrete example. Take the case of an agreement entered into on the 1st January 1905, by which the tenant agrees to make seven half-yearly payments of £8 6s. 6d. (the first being due on the 30th June 1905), the interest being assumed to be 6 per cent. with half-yearly rests. By reference to the foregoing table it will be found that the cash value of the wagon in this case is £51 17s. 6d. The following table may now be compiled, showing what proportion of the instalments paid during each year is in respect of interest upon the outstanding debt due to the manufacturer, the balance of the instalments being consequently the portion which has to be capitalised. The column upon the extreme right in the following example shows the accumulations upon the "Wagons Purchase Account" at the close of each year:—

Date	Amount of Instalment			Interest on Outstanding Debt			Proportion to Capital			Total to Wagon Purchase Account to date		
	£	s	d	£	s	d	£	s	d	£	s	d
31st December 1905	16	13	0	2	18	2	13	14	10	13	14	10
" " 1906	16	13	0	2	1	5	14	11	7	28	6	5
" " 1907	16	13	0	1	3	7	15	9	5	43	15	10
30th June 1908	8	6	6	0	4	10	8	1	8	51	17	6
	£58	5	6	£6	8	0	£51	17	6			

A careful examination of the above table will show that when the agreement is completed on the 30th June 1908 the tenant will have paid in all £58 5s. 6d., of which £51 17s. 6d. has been allocated to Capital, and £6 8s. to Revenue. The point which next claims attention is as to whether any further charge to Revenue is necessary, and, if so, how much.

Repairs.—The question of repairs should on no account be allowed to confuse the treatment of the hire-purchase-agreement itself. The proper course is either to debit each year's Profit and Loss Account with the actual repairs incurred, or else to debit the Profit and Loss Account and credit Reserve for Repairs Account with the best available estimate of a normal charge for repairs, and to debit the latter account with the cost of such repairs as are actually executed. This course has the advantage of averaging—as far as possible—the charge to Revenue in respect of these items; but, in view of the fact that both the railway companies themselves and the Board of Trade regulations are very strict as to wagons being kept in a thoroughly effective state of repair, it is probable that in the long run these repairs will be found to average themselves, particularly when the tenant possesses numerous wagons of different ages. But whichever method be adopted, the treatment of the repairs should be kept quite distinct from the statement of the gradual purchase of the wagons on a hire-purchase agreement.

Depreciation.—The next question which calls for consideration is that of Depreciation. Up to the present the treatment indicated has been a question of right and wrong, rather than one of individual preference or discretion, but Depreciation is largely a question of individual discretion. In the first place, there is the precedent afforded by the statutory form of accounts with regard to railway companies, which suggests that *no Depreciation whatever need be provided for,* but that the proper course is to renew worn-out wagons out of Revenue. When any large number of wagons are held by the same owner this is no doubt the simplest course to pursue, as the

charges to Revenue will be found to average themselves fairly closely. But if only a few wagons are owned, it will be found that the charges to Profit and Loss arising from their renewal are very unequal, and it will therefore be found preferable to adopt some means which will have the effect of averaging them. Then, again, there arises the consideration that railway wagons—when owned by the class of persons who would naturally acquire them upon hire-purchase agreements—are "fixed assets," and not "floating assets"; therefore, even in the case of ordinary joint-stock companies, there is no statutory obligation requiring that Depreciation should be provided for from year to year. It will thus be seen that the whole matter is (subject to the articles of association of the particular Company concerned) entirely one of individual choice, but that is no reason why the effect of the various methods which may be adopted under different circumstances should not be considered and their respective merits contrasted.

It may be taken at the outset that a railway wagon has a very long span of life. Being made up of a number of interchangeable parts, it is quite possible, in the ordinary course of repairing, to entirely renew the wagon from time to time; thus the time never really arises when the asset itself is absolutely worthless and cannot be tinkered with any longer. But those who are desirous of making ample reserves against Revenue for every possible risk will probably prefer not to rely too much upon this fact, but will assume a length of life upon the part of the wagons which is likely to be realised in all but abnormal cases—as, for instance, where accidents occur. So far as the author has been able to ascertain, the minimum life of a wagon may be put down at sixteen years, and many are used for a very much longer time. But, for those who wish to provide an ample reserve in the nature of Depreciation, it is worth while to regard the limit as sixteen years, because by this means they will be building up a Reserve which will be available in the event of that particular pattern becoming obsolete by reason of further improvements, and also in the event of the destruction of one or more wagons by accident. There are various methods by which the "cash value" of a wagon may be written down, and it is desirable that the precise effect of each should be fully studied.

Perhaps the most favourite method of writing off Depreciation, in the case of articles which from time to time require repairs, is to adopt a fixed percentage upon the amount of the reducing annual balance. The effect of this method is to write off much heavier sums in the earlier years, and smaller sums in later years of the asset's life, the object of this being to compensate for the fact that the amount of necessary annual repairs will probably be upon the increase. If it is desired to extinguish the value of an article in sixteen years by writing a fixed percentage off the reducing balance, it will be necessary to adopt a rate of depreciation of about 17½ per cent. The following table is prepared upon this basis with regard to the example already shown above:—

EXAMPLE:

Date	Interest			Depreciation			Total Charge to Revenue			"Book" Value of Wagon at close of year		
	£	s	d	£	s	d	£	s	d	£	s	d
1905	2	18	2	9	1	6	11	19	8	4	13	4
1906	2	1	5	7	9	10	9	11	3	11	15	1
1907	1	3	7	6	3	7	7	7	2	21	0	11
1908	0	4	10	5	1	11	5	6	9	24	0	8
1909		..		4	4	1	4	4	1	19	16	7
1910		..		3	9	5	3	9	5	16	7	2
1911		..		2	17	2	2	17	2	13	10	0
&c.												

With reference to the figures appearing in the last money column above, it will be noted that for the first four years the amount is increasing, while afterwards it is reduced. The reason for this is that during the continuation of the hire-purchase agreement a portion of the instalments is in respect of Capital, therefore the amount of the capital asset is increased during this period in spite of the amounts which are credited to that account and debited to Profit and Loss for Depreciation. It will further be noticed that at no time does the value of the wagon appear in the books at more than £24 0s. 8d.,

although the original value of the wagon when new was £51 17s. 6d., and, further, that during each of the first three years the total charge to Revenue exceeds £7. This figure of £7 is mentioned in this connection because that is approximately the amount which would be charged for simple hire, and it is obvious that under no circumstances can it be really proper to charge more against Revenue than the amount of simple hire, because, in addition to getting the use of the wagon, which is all that is paid for in the case of simple hire, the tenant is also gradually acquiring the ownership of the wagons themselves. It will thus be seen that the above system is one which operates very unfairly upon the earlier years' profits, and is also one which unnecessarily reduces the value of the wagons, for it cannot be said that the value of a wagon which is kept in thorough repair is reduced by anything like 50 per cent. in the course of four years.

Another method of providing for Depreciation is to write off annually one-sixteenth of the original "cash value" of the wagons. If this method be adopted in the present case it will be found that the rate of Depreciation must be approximately 6¼ per cent. per annum upon the original value, and the following table shows the figures corresponding to those already mentioned, if this alternative system be adopted:—

EXAMPLE:

Date	Interest	Depreciation	Total Charge to Revenue	"Book" Value of Wagon at close of year
	£ s d	£ s d	£ s d	£ s d
1905	2 18 2	3 4 10	6 3 0	10 10 0
1906	2 1 5	3 4 10	5 6 3	21 16 9
1907	1 3 7	3 4 10	4 8 5	34 1 4
1908	0 4 10	3 4 10	3 9 8	38 18 2
1909	..	3 4 10	3 4 10	35 13 4
1910	..	3 4 10	3 4 10	32 8 6
1911	..	3 4 10	3 4 10	29 3 8
&c.				

Upon this system the total charge to Revenue does not in any year exceed the amount which would have to be paid for simple hire; but during the continuance of the hire-purchase agreement the charges to Revenue are very much larger than afterwards, being during the first year nearly twice what they become after the agreement has run out. It will further be noticed that the maximum value at which the wagon appears in the tenant's books is £38 18s. 2d., or about 75 per cent. of its original value when new. From many points of view this is a very much better method to adopt than the preceding, seeing that apparently the assets are not overstated in the hirer's books, nor are the charges to Revenue liable to serious fluctuations; but even this system is one which cannot be looked upon as being so perfect as to leave no room for alternative methods.

A third method is, during the continuance of the hire-purchase agreement to only write off Depreciation upon the capitalised instalments. This method can be justified in theory by the argument that it is obviously unreasonable that the tenant should be expected to provide in his own Profit and Loss Account against Depreciation of property that does not belong to him; and, although this view may be thought to be somewhat specious, it is well worth while to consider how the various annual charges to Revenue will work out if this basis of calculation be adopted. It will be found that, in order to extinguish the asset entirely at the end of 16 years, it will be necessary to somewhat raise the rate of Depreciation if this system be adopted, as compared with the 6¼ per cent. which was necessary when each instalment of Depreciation was equal. A simple calculation shows that 10 per cent. during the continuance of the agreement will produce approximately the desired result.

EXAMPLE.

Date	Interest	Depreciation	Total Charge to Revenue	"Book" Value of Wagon at close of year
	£ s d	£ s d	£ s d	£ s d
1905	2 18 2	1 7 6	4 5 8	12 7 4
1906	2 1 5	2 13 11	4 15 4	24 5 0
1907	1 3 7	3 19 5	5 3 0	35 15 0
1908	0 4 10	4 7 8	4 12 6	39 9 0
1909	..	3 18 11	3 18 11	35 10 1
1910	..	3 11 0	3 11 0	31 19 1
1911	..	3 3 11	3 3 11	28 15 2
&c.				

The obvious objection to this method—and, indeed, the only one which can be seriously raised—is that the charges to Revenue *increase* during each of the first three years (that is to say, during the continuance of the agreement), for, although the charge for interest decreases as the amount due to the manufacturer is reduced, the charges for Depreciation naturally become heavier and to a much more largely increasing extent.

In order to avoid this, the method has sometimes been adopted of averaging the charges against Revenue during the period of the agreement, so that at its expiration the same amount stands to the debit of the Asset Account as upon this last-mentioned method, but that the Revenue charges *during* the continuance of the agreement are equal. From many points of view it is thought that this last is really the most convenient method to adopt under normal circumstances; but, as already stated, the question of apportioning Revenue charges among the various years of the estimated life of the asset is entirely a matter of individual discretion, and one in which the greatest latitude must be allowed, provided the apportionment is made in good faith.

OTHER HIRE-PURCHASE TRANSACTIONS.

As has already been stated hire-purchase transactions in connection with railway wagons generally run into very large figures, thus emphasising the importance of accurate treatment. The "loading" of the cash price is also calculated (at all events approximately) at a definite rate of interest, which may reasonably be regarded as compensation for the money lent. In connection, however, with the furniture, musical instrument, bicycle, and other trades, the difference between the cash and credit prices is often such as to clearly show that the "loading" covers more than a reasonable charge for interest upon money lent, the industry being subject to other risks, and in particular to bad debts and to failure on the part of the hirers to continue their instalments, in which case the manufacturer, at the best, only becomes re-possessed of an asset which in this case has greatly depreciated in value. The enormous number of transactions involved also frequently precludes the possibility of any very accurate apportionment as between Capital and Revenue being made in the books of the manufacturer, and in such cases the following simplified method will be found useful, while at the same time answering all practical purposes. In order to describe this system in detail it has been thought best to take a particular case, afterwards showing how the principles involved may be applied to any given set of facts.

PROBLEM.—**A piano costing £17 10s. is catalogued at £36, and may be purchased by twelve quarterly instalments of £3 each, or it may be bought for cash (at a discount of 20 per cent.) for £28 16s. Show how the instalments of £3 per quarter may be correctly apportioned between Capital and Revenue, and describe how such transactions may be conveniently recorded in the books of the dealer, assuming that they are of frequent occurrence.**

In this case, if the piano were sold for cash the gross profit would be £11 6s., and this may be taken as the basis upon which to proceed. It will thus be seen that the £36, which represents the aggregate of the instalments, is made up as follows:—

Cost ..	..	..	£17	10	0	or 48·6	per cent.
Gross Profit ..	..	..	11	6	0	" 31·4	"
Interest, &c. ..	..	..	7	4	0	" 20·0	"
			£36	0	0	100·0	"

A special Day Book should be provided for the record of hire-purchase agreement transactions, through which each hirer is debited with the aggregate amount of instalments receivable from him. At the end of each month the total of this Day Book should be posted to an account in the Nominal Ledger entitled "Sales on Hire-purchase," and when the books are balanced 80 per cent. (48·6%+31·4%) of the amount standing to the credit of this Account may be transferred to Sales Account, and 20 per cent. to Hire-Purchase Interest Suspense Account.

It remains to be considered how the amount standing to the credit of Hire-Purchase Interest Suspense Account should be dealt with at balancing. It may be mentioned in passing, however, that as for convenience sake these transactions have to be dealt

with in totals, it may be found that the percentage of Gross Profit is not in all cases uniform, and that, therefore, the 80 per cent. already referred to may require some adjustment, so that the amount to be transferred to Sales Account may represent (as nearly as it can be ascertained) the cash value of the instruments dealt with during the current period.

Assuming for present purposes, however, that 20 per cent. of the total is the proper amount to credit to "Hire-Purchase Interest Suspense Account," it will be found that this represents a charge of somewhat less than 12½ per cent. (12·3 per cent.) per annum on the amount of debts outstanding at the commencement of each year, and upon this basis the £7 4s. that represents loading for interest, &c., may be apportioned as follows :—

First year	£3	17	6
Second year	2	8	0
Third year	0	18	6
	£7	4	0

Or, in the form of a percentage, as follows :—

First year	53·82 per cent.
Second year	33·33 ,,
Third year	12·85 ,,
	100·0 ,,

Consequently, if all the transactions were entered into on the first day of each year, at the conclusion of the first year, 53·82 per cent. of the balance standing to the credit of Hire-Purchase Interest Suspense Account might properly be credited to Revenue as interest earned, and in the second and third years 33·33 per cent. and 12·85 per cent. respectively of the original balance. As a matter of fact, however, transactions of course take place throughout the whole of the year, and consequently all the hire-purchase agreements entered into during, say, the year 1904, will not have come to an end by the 31st December 1906. Assuming that the transactions are usually evenly spread throughout the whole twelve months, the proper credit to Revenue during the first year would be only one-half of 53·82 per cent., or 26·91 per cent; during the second year the remaining half of the 53·82 per cent. and half of 33·33 per cent.; and so on. Disregarding fractions, therefore, the proper transfers from Hire-Purchase Interest Suspense Account to the credit of Revenue might be taken to be as follows:—

End of the First year ..	27	per cent.;	or, quite	roughly,	25	per cent.
,, ,, Second year ..	43	,,	,,	,,	40	,,
,, ,, Third year ..	23	,,	,,	,,	25	,,
,, ,, Fourth year ..	7	,,	,,	,,	10	,,
	100	,,	,,		100	,,

In order that these calculations may readily and correctly be made, it is desirable that a separate Hire-Purchase Interest Suspense Account should be opened in the Ledger for the transactions that take place in each financial year. Each such account will, therefore, remain open for four years, and (assuming the business has been established so long) there will always be four such accounts open at the same time.

The above calculations are, as has already been stated, based upon the assumption that 20 per cent. of the aggregate value of the instalments represents loading for interest, &c.; but the same principle will apply whatever the exact amount of loading may be.

So far, it has been assumed that that the whole of the loading may fairly be regarded as interest charged as compensation for deferred payment; but, as has already been stated, in industries of this description it is but reasonable to suppose that some part of the loading is to cover other losses. These, however, for the sake of simplicity, are best dealt with quite independently of the apportionment of the instalments received as between Capital and Revenue. As to the exact Reserve to be made for Bad Debts and other losses arising from Depreciation in connection with uncompleted contracts, each manufacturer would be guided largely by his own individual experience. It is suggested, however, that until the business has been sufficiently established to enable a safe opinion to be formed, a Reserve against loss should be created by debiting Revenue Account and crediting "Reserve for Bad Debts and Depreciation Account" with, say, 10 per cent. of the Gross Profits arising from hire-purchase transactions. Losses actually realised should from time to time be transferred to the debit of this account, and care should be taken to see that the credit balance remaining is sufficiently large to provide a reasonable Reserve against all likely contingencies.

BUILDING SOCIETY MORTGAGES.

The proper treatment of accounts in respect of Building Society mortgages follows closely upon the lines already explained in connection with the hire-purchase of railway wagons, save that in some cases the interest is calculated at shorter "rests" than is customary with the latter transactions. Most Building Societies, however, issue tables showing the amount outstanding from time to time on the mortgages which they take, and these will enable the annual balance upon each Mortgage Account to be readily determined. Such an account would in all respects be identical with that shown upon page 263, save that the first item to the debit would represent the amount of the original advance, while the cash postings to the credit of the account would be the instalments received from time to time from the borrower, which instalments would (as a rule) be

paid at much more frequent intervals—say, weekly or monthly. The general principle, however, is identical in all respects.

ANNUITY AND SINKING FUND SYSTEMS OF DEPRECIATION.

As explained in Chapter XX., one method of providing for Depreciation is to charge Revenue with such a sum as will at the expiration of the life of the asset write off the original cost thereof, *plus* interest on the capital from time to time invested therein. The object of this method is to compensate for the fact that as the assets become of less value, and as certain sums are from time to time set aside out of Revenue to compensate for such wastage, the Working Capital of the undertaking becomes to a corresponding extent increased, and the amount invested in Fixed Assets reduced. The "Annuity" method, as it is called, compensates for this circumstance by charging each successive year with a gradually increasing sum as a gradually increasing amount of the undertaking's resources is released from Fixed Assets and—being placed among the Floating Assets—is thus available to earn profits in other directions. When the Sinking Fund system is adopted, and the periodical instalments are invested *outside* the business, no such compensation is required, and (assuming that the Sinking Fund investments can be accumulated at the same rate of interest) it would be sufficient to charge against each year's profits the net amount charged against the *first* year's profits under the Annuity system.

Referring again to the *pro formâ* Ledger Account given upon page 263, by altering the wording, this may be assumed to be an account of a five years' Lease which originally cost £60, and which it is desired to write off under the Annuity system, reckoning interest at 6 per cent. upon the half-yearly balances. The postings to the credit side of the account must in that case be taken as representing the charges for Depreciation, instead of being postings from the Cash Book. This gives a fixed charge of £14 1s. 4d. per annum (which might be indifferently described as "Depreciation of Lease," or "Rent" charged against Revenue for the use by the business of the Leasehold Premises); while the Interest charges—which amount to £3 8s. 10d. in the first year and are gradually reduced to 12s. 3d. in the fifth year—represent Interest on the amount of Capital from time to time remaining sunk in this asset during the term of its life. Inasmuch as the £14 1s. 4d. per annum is not actually paid away, but accumulated in the business, it is assumed that its utilisation in this manner will, in some way or another, produce profits compensating the business for the decreasing amounts credited to Revenue Account in respect of Interest. If, however, the half-yearly instalments by way of Depreciation were to be taken out of the business, and could be invested elsewhere at 6 per cent., the interest also being promptly invested at the same rate as and when received, it would be sufficient to provide Sinking Fund instalments of (£7 0s. 8d.—£1 16s.=) £5 4s. 8d. per half-year, as this sum, invested at 6 per cent. compound interest, would at the end of five years accumulate to the original £60. *Primâ facie*, therefore, the employment of a Sinking Fund would appear to effect an economy; but *per contra* it must be borne in mind that, had the Sinking Fund instalments remained in the business as Working Capital, they would presumably have been earning profits at least equal to any rate of interest that may be earned from outside investments of a suitable character. No really satisfactory form of investment is, indeed, likely to be found that will yield 6 per cent. interest, and at the same time provide adequate security of capital combined with facility for prompt realisation at any required moment. The advantage of employing a Sinking Fund lies not in any direct economy of Revenue charges that it may effect, but in the assurance which it gives that, when the wasting asset against which it has been created has become valueless, there will be moneys in hand available for the purchase of another asset of equal cost: if such a renewal of assets be not contemplated, there is no very obvious advantage in the employment of the Sinking Fund system.

CHAPTER XXII.

FORM OF PUBLISHED ACCOUNTS.

IT is usual for all undertakings carrying on operations over an extended period to balance their books, and prepare accounts showing the position of affairs and the progress made during the current period, at regular intervals. In the case of Partnerships, and other private ventures, the partnership articles generally state when, and how often, such accounts are to be prepared, it being customary to stipulate for the preparation of annual accounts, the financial year running from the commencement of the partnership. When, however, that date is—for any particular reason—inconvenient, some other date may be substituted; and in this, as in all other respects, the terms of the articles of partnership may be modified from time to time with the consent of all the partners. These periodical accounts are, of course, prepared solely for the information of the partners, and consequently in such form as they may mutually agree.

In the case of Public Companies, the shareholders may for many purposes be regarded as the partners in the undertaking, while the Articles of Association, or special Act of Parliament under which the Company is incorporated, may be regarded as analogous to articles of partnership. It is usual for Companies to prepare accounts annually for the purpose of submission to the proprietors in general meeting assembled; but in the case of some few undertakings—as, for example, Banks and Railway Companies—the accounts are prepared half-yearly. In other cases also the books are often actually balanced half-yearly for the information of directors, although the information which is obtained is not published. It is usual for the annual, or other, accounts of the Company to be printed and circulated among the shareholders, although in the case of Companies registered under the Companies Acts there is no statutory provision to this effect, and the matter is accordingly regulated by the Articles of Association of each individual Company.* The Articles also to some extent determine the amount of information that shall be given in the published accounts, although this is a matter that is in all cases very largely within the discretion of the directors, who, within very wide limits, have power to determine the form that the accounts shall take.

This question of form is one upon which it would be difficult to lay down any hard and fast rules of universal application. The varying circumstances determining the position of different undertakings render the adoption of any stereotyped form practically impossible, although concerns carrying on similar classes of business might, as a rule, have their accounts framed upon very much the same lines. Opinions, however, vary greatly as to the amount of information which it is desirable to publicly disclose, and the precise form that that information should take, with the result that in practice the published accounts of almost every concern present some points of difference. Doubtless some nearer approach to uniformity would be

* The Companies Bill, 1907, will (if passed in its original form) require all Companies registered under the Companies Acts to issue a Balance Sheet annually to the shareholders, and to file a statement in the form of a Balance Sheet with the Registrar of Joint Stock Companies.

desirable from most points of view, and in the case of clearly defined industries it would be by no means impracticable, as is shown by the fact that Railways, Gas Companies, Electric Light Companies, Life Assurance Companies, Building Societies, and certain other undertakings are required to publish their accounts in the form prescribed by the Legislature, and are enabled to adhere very closely to that form without inconvenience. But until something more nearly approaching uniformity is reached, it is thought that little would be gained in the present work by dogmatising upon the question as to the best form of accounts for different classes of representative undertakings. It has been thought that a collection of a number of representative published accounts will prove at once more interesting and more instructive. Such a collection has accordingly been appended to this chapter. Some of the accounts have been selected on account of the excellence of their form, some for the opposite reason, and others on account of special circumstances which render it probable that their careful study may be found of value. The accounts have accordingly been given in their published form without any alterations whatever, and the published certificates and reports of the Auditors have been appended. The names of the Auditors have been added, with a view to showing the practice of certain firms as to the wording of their Certificates and Reports. It must not, however, be supposed that in this respect the information afforded can be regarded as anything like complete, and in particular it must be borne in mind that the responsibility for the form in which the accounts of a Company are published rests primarily with the Directors, rather than with the Auditors. It does not, therefore, necessarily follow that the forms reproduced are regarded by the respective firms of Auditors as being, in their opinion, the most suitable that could have been designed to meet the circumstances of each particular case.

LONDON AND GLOBE FINANCE CORPORATION, LIMITED.

Dr. BALANCE SHEET, 29th January 1897. *Cr.*

	£ s d	£ s d
To Capital	200,000 0 0	
In 195,000 Ordinary Shares of £1 each, and 100,000 Deferred Shares of 1s. each.		
Issued—		
165,000 Ordinary Shares upon which the full amount of £1 per Share has been called up	165,000 0 0	
30,000 Ordinary Shares issued fully paid	30,000 0 0	
100,000 Deferred Shares of 1s. each, upon which the full amount has been paid up	5,000 0 0	
295,000 Shares	200,000 0 0	
Less Calls in arrear..	1,172 10 0	
		198,827 10 0
" Sundry Creditors		232,247 0 8
" Unclaimed Dividends		167 17 6
" Profit and Loss Account	952,650 16 10	
Less Interim Dividend paid ..	15,000 0 0	
		937,650 16 10
		£1,368,893 5 0

	£ s d	£ s d
By Shares held in various Companies, those purchased being taken at cost, and those otherwise acquired taken at their par value		818,022 18 3
(NOTE.—There is a liability in respect of calls not yet made, amounting to £47,845 6s. 7d. upon certain of the above Shares.)		
" Sundry Debtors		209,537 18 1
" Freehold Property in London ..		16,250 0 0
" Loans in Stock Exchange—from Account to Account		70,312 8 0
" Cash at Bankers and in hand ..		254,770 0 8
		£1,368,893 5 0

We have examined the above Balance Sheet and Profit and Loss Account, with the books, accounts, and vouchers relating thereto and certify the same to be in accordance therewith. We are of opinion that the Balance Sheet represents the position of the Company's affairs, subject to such sum being set aside as may be considered the necessary reserve in respect to Shares held in various Companies, the value of which we are unable to assess. We have verified the balance of cash at the Bankers and in hand.

FORD, RHODES & FORD,
Chartered Accountants,
81 CANNON STREET, LONDON, E.C.

Dr. PROFIT AND LOSS ACCOUNT, from Incorporation to 29th January 1897. *Cr.*

	£ s d	£ s d
To General Expenses	2,902 10 4	
" Directors' Fees	1,898 0 2	
" Salaries	2,897 14 7	
" Postages..	605 18 10	
" Advertising	3,095 19 11	
" Printing and Stationery	1,194 19 8	
" Office Rent	566 16 4	
" Law Costs	796 18 4	
" Rates and Taxes	142 10 5	
		14,096 8 7
" Balance..		952,650 16 10
		£966,747 5 5

	£ s d
By Profit on Mining Properties, purchased, developed and resold for considerations partly in Shares ..	482,146 5 5
" Profits on Securities realised	463,889 17 7
" Underwriting Commissions	13,937 10 0
" Transfer Fees	673 12 6
" Interest, &c.	6,099 19 11
	£966,747 5 5

Dr. PROPOSED APPROPRIATION OF PROFITS. *Cr.*

	£ s d
To Interim Dividend of 10 per cent. or 2/- per Share on 150,000 Ordinary Shares..	15,000 0 0
" Further Dividend of 40 per cent. or 8/- per Share on 195,000 Ordinary Shares	78,000 0 0
" Dividend of 15s. 7½d. per Share on 100,000 Deferred Shares, as per Memorandum of Association ..	78,000 0 0
* Carried forward	781,650 16 10
	£952,650 16 10

	£ s d
By Balance brought down	952,650 16 10
	£952,650 16 10

* Subject to deduction for Income Tax upon Profits and Directors' percentage on Dividend.

BALANCE SHEET OF THE LONDON AND PROVINCIAL BANK, LIMITED.

Dr. 31ST DECEMBER 1906. *Cr.*

	£ s d	£ s d
Capital .. .. 160,000 £10 Shares, £5 paid.	800,000 0 0	
Reserve Fund	1,415,000 0 0	
Invested in £1,664,705 17s. 9d. 2½ per cent. Consols taken at 85		2,215,000 0 0
Current, Deposit and other Accounts		14,167,947 15 11
Profit and Loss:—		
Balance brought forward	42,641 7 5	
Net Profit for the Half-year after making provision for Bad and Doubtful Debts and Contingencies and deducting Rebate on Bills not due	102,901 14 5	145,543 1 10
		£16,528,490 17 9

	£ s d	£ s d
Cash:—		
At Head Office, Branches and Agents	1,964,836 1 3	
Call and Short Notice	1,300,000 0 0	3,264,836 1 3
Investments:—		
Consols £2,327,221 12s. 11d., taken at 85 (including £83,896 0s. 7d. lodged as security for Public Accounts)	1,978,138 7	
National War Loan, Transvaal Loan, India Stock, and British Colonial Government Bonds and Inscribed Stocks	862,898 1 11	
London County Council, Metropolitan Water Board, Corporation of London, Metropolitan Consolidated, and Liverpool, Manchester and Bristol Corporation Stocks	482,068 4 10	
English Railway Debenture and Preference Stocks, East Indian Railway Guaranteed Stocks and other Securities	852,843 18 6	4,175,948 13 1
Loans, Advances, Bills discounted, &c.		8,851,815 11 0
Premises- Freehold and Leasehold (As reduced by amounts from time to time written off)		235,890 12 5
		£16,528,490 17 9

PROFIT AND LOSS ACCOUNT for the Half-Year ended 31st December 1906.

	£ s d	£ s d
Current Expenses		122,855 12 11
Interest		98,438 8 7
Dividend at 18 per cent. per annum ..	72,000 0 0	
Reserve Fund	10,235 7 4	
Reduction of Premises Account	10,000 0 0	
Officers' Pension and Gratuity Fund ..	5,000 0 0	
Balance carried forward	48,307 14 6	
		145,543 1 10
		£366,837 3 4

	£ s d
Balance of last Profit and Loss Account	42,641 7 5
Gross Profit for Half-year, after making provision for Bad and Doubtful Debts and Contingencies, and deducting Rebate on Bills not due	324,195 15 11
	£366,837 3 4

In accordance with the provisions of the Companies Act, 1900, we certify that all our requirements as Auditors have been complied with, and we report to the Shareholders that we have examined the Balance Sheet with the Books at the Head Office, and the certified returns from the several Branches. The investments are of a marketable value in excess of the amounts standing in the Balance Sheet. The Premises, owing to the amounts written off from time to time, stand, we believe, at far less than their value, and the fittings and furniture have been wholly written off. The provision for Bad and Doubtful Debts and Contingencies largely exceeds the amount estimated to be at present required. The Officers' Pension and Gratuity Fund, amounting to £151,295 0s. 4d. is included with the Current, Deposit and other Accounts. Subject to these remarks, in our opinion the Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as shown by the books of the Company.

LONDON,
8th January 1907.

ERNEST COOPER
(Cooper Brothers & Co.), } *Auditors.*
EDGAR FIGGESS,

THE BRITISH ELECTRIC TRACTION COMPANY, LIMITED.

BALANCE SHEET, 31st March 1905.

Liabilities.	£	s	d	£	s	d
To CAPITAL— Authorised: 200,000 Six per cent. Cumulative Preference Shares of £10 each, and 200,000 Ordinary Shares of £10 each £4,000,000 0 0						
Issued: 161,437 Six per cent. Cumulative Preference Shares of £10 each, fully paid				1,614,370	0	0
133,301 Ordinary Shares of £10 each, fully paid				1,333,010	0	0
				2,947,380	0	0
" DEBENTURE STOCK— £1,437,677 Five per cent. Perpetual Debenture Stock ..	1,437,677	0	0			
£10,976 Five per cent. Perpetual Debenture Stock called by Syndicate, but not allotted at date	10,976	0	0			
				1,448,653	0	0
£368,431 4½ per cent. Second Debenture Stock ..	368,431	0	0			
£10,359 4½ per cent. Second Debenture Stock called by Syndicate, but not allotted at date	10,359	0	0			
				378,790	0	0
MEMO.—Further 4½ per cent. Second Debenture Stock to the amount of £10,000 has been lodged as security. The Option given to the Syndicate, referred to in the Report, to call for further 4½ per cent. Second Debenture Stock and Shares of the Company continues until 31st December 1905.						
" DEPOSITS BY SUNDRY ASSOCIATED COMPANIES				19,250	0	0
" RESERVE— Amount reserved at 31st March 1904, consisting of Net Premiums received on issues of Shares and Debenture Stock, plus £20,000 transferred at 31st March 1900 from Profit and Loss Account ..	580,085	3	10			
Amount since received from Premiums on Shares and Debenture Stock issued or called, after deducting Discounts on Second Debenture Stock, and Expenses of issues	17,813	10	1			
				597,898	13	11
" SUNDRY CREDITORS AND CREDIT BALANCES— (Including £54,897 17s. 9d. in respect of Interest on Debenture Stocks and Dividend on Preference Shares accrued to date) ..				171,617	11	2
" NET REVENUE ACCOUNT— Balance remaining for appropriation after distributions therein shown				54,986	14	7
NOTE.—The Company is in some cases under guarantees to provide funds when necessary for the capital purposes of its Associated Companies in return for certain rights in connection with such Associated Companies. There are also certain Contingent Liabilities and accruing Profits in connection with Investments, uncompleted Contracts, and Guarantees to Bankers and others, which cannot be brought into account in the Balance Sheet.						
				£5,618,575	19	8

Assets.	£	s	d	£	s	d
By INVESTMENTS— £200,337 4s. 11d. Consols, at an average cost of £98·2 %				196,758	14	5
Debentures and Debenture Stock and Shares of Associated and other Companies of the par value of £4,304,649 19s. od., as per Schedule "B"				4,006,949	15	5
NOTE.—Some of the above have been received from Associated Companies in respect of Work and Services. Some are deposited with the Paymaster-General and others against the Company's obligations. For the most part there are no published quotations of these investments, and no valuation has been made of them.						
" DEBTORS— Amounts due from Associated Companies, viz.:— On Construction and other Works, and transfer of Rights	517,418	19	11			
On Sundry Accounts	131,668	3	9			
Sundry Advances	133,238	0	7			
	782,325	4	3			
Sundry Debtors..	315,112	16	7			
				1,097,438	0	10
" EXPENDITURE ON UNDERTAKINGS owned or leased at Barrow, Brighton and Shoreham, Croydon and Mumbles	145,733	16	9			
Do. Buildings and Freehold Land ..	5,525	15	1			
Do. Acts of Parliament, Light Railway Orders and other Rights and Powers secured or in course of Promotion; Surveys, Negotiations, &c...	50,077	13	10			
				201,337	5	8
" STOCK OF CARS, SETTS, RAILS, POLES, AND GENERAL STORES				41,556	15	2
" GOODWILL ACCOUNT, written down to				1,000	0	0
" OFFICE FURNITURE AND FITTINGS, written down to..				4,006	0	0
" CASH at Bankers and in hand				69,529	8	0
				£5,618,575	19	8

In accordance with the provisions of the Companies Act, 1900, we hereby certify that all our requirements as Auditors have been complied with, and we report to the Shareholders that we have audited the Accounts of the Company with the Books, Vouchers, and Securities relating thereto, and we are of opinion that the Balance Sheet is properly drawn up so as to exhibit, with the accompanying Accounts and notes thereon, a true and correct view of the position of the Company as shown by the Books.

FRED. W. SMITH & Co.,
DELOITTE, DEVER, GRIFFITHS & Co., } *Auditors.*

LONDON, *12th July* 1905.

THE BRITISH ELECTRIC TRACTION COMPANY, LIMITED.

PROFIT AND LOSS ACCOUNT for the Twelve Months ended 31st March 1905.

	£	s	d
Management and General Expenses—			
Balance as per Schedule "A"	4,868	16	9
Interest on Loans and Deposits	10,172	12	11
Loss on Sales of Materials	3,962	16	6
Proportion of Expenditure on Undertakings—written off	4,010	10	4
Sundry Losses, Provisions, and Allowances	6,513	1	0
Superannuation Fund—Amount of Contributions	611	9	4
Office Furniture—Amount written off	445	2	4
Stores—Amount written off	1,000	0	0
Balance transferred to Net Revenue Account	229,027	0	7
	£260,611	9	9

	£	s	d
Dividends on Shares	131,836	10	7
Interest on Debentures	10,138	17	7
Do. Consols	4,189	3	6
Do. Loans and Deposits, and on Purchase Moneys unpaid	24,725	2	11
Net Profit on Working of Barrow, Brighton, Croydon, and Mumbles Undertakings	7,951	10	11
Do. on Sale of Undertakings, and of Sundry Rights and Interests in Undertakings	27,789	9	8
Hire of Rolling Stock, and Rents	2,444	6	8
Net Profit on Sale or Realisation of Investments	47,982	15	1
Transfer and Guarantee Fees	1,522	15	0
Profits and Commissions on Contracts; Net Profit on Engineering and other Services rendered; Fees and Commissions paid into the Treasury of the Company by Directors and Staff and amounts received for provision of office accommodation and services of Staff, less Expenses	2,030	17	10
	£260,611	9	9

NOTE.—The sum of £39,803 4s. 3d., proportion of expenses mentioned in Schedule A, has been debited against items included in this account.

The credits to this account include Stocks and Shares at par, received from Associated and other Companies in respect of Commissions and Profits, such Stocks and Shares being included in the Balance Sheet as Investments, and are subject to realisation.

NET REVENUE ACCOUNT.

	£	s	d
Debenture Stock Interest—			
5% Perpetual Debenture Stock—			
Interest paid or accrued to 31st March 1905	66,196	16	10
4½% Second Debenture Stock—			
Interest paid or accrued to 31st March 1905	12,235	13	1
Preference Share Dividend—			
Dividend paid or accrued to 31st March 1905	93,765	19	10
Ordinary Share Dividend—			
Interim Dividend paid December 1904 at the rate of 6% per annum for the six months ended 30th September 1904	39,990	6	0
Balance remaining for appropriation, transferred to Balance Sheet	54,986	14	7
	£267,175	10	4

	£	s	d
Balance transferred from Profit and Loss Account	229,027	0	7
Balance brought forward from last year	38,148	9	9
	£267,175	10	4

SCHEDULE "A."—MANAGEMENT AND GENERAL EXPENSES.

	£ s d	£ s d
Directors' Fees		1,792 6 7
Salaries and Wages of Managing Directors, Engineers, Inspecting Officers, Secretaries, and Accountants and Head Office Staffs, including those employed to carry out services under Agreements with 56 Associated Companies and Undertakings		40,218 17 6
Travelling Expenses Ditto		3,760 14 6
Rents, Rates, and Taxes, including Office Cleaning, Lighting, and Fuel		5,296 12 6
Legal Expenses, including Solicitors' Costs and out-of-pocket expenses, Parliamentary Agents' and Counsels' Fees in connection with Sales, Negotiations, Litigation, and the Promotion of Acts of Parliament		3,168 11 7
Stationery, Printing, Plans and Sections, Postages, Telegrams, &c.		1,290 1 7
Sundry Expenses, including Insurances		3,276 4 1
Fees paid to Consulting Engineers and others for Professional Services		2,107 18 4
Auditors' Fees		525 0 0
		61,436 6 8
Less—		
Proportion of Expenses charged to other Companies	9,148 7 2	
" " already debited against items included in Profit and Loss Account	39,803 4 3	
" " charged to Undertakings and Works in progress	7,615 18 6	
		56,567 9 11
Balance carried to debit of Profit and Loss Account at 31st March 1905		£4,868 16 9

ROCHDALE CANAL COMPANY.

STATEMENT OF ACCOUNTS for the Half-Year ended 31st December 1901.

A.—CAPITAL ACCOUNT.

Dr.

	£	s	d	£	s	d
To Capital Expenditure on Parliamentary Costs, Purchase of Lands, Construction of Canal and Works, and Improvements to 30th June 1901 ..	772,922	19	6			
Additional Expenditure this half-year	131	4	0			
	773,054	3	6			
Less Sale of Land	100	0	0			
				772,954	3	6
" Capital Expenditure on Boats, Horses, Stabling, and Carrying Plant to 30th June 1901..				25,980	1	6
				798,934	5	0
" Balance carried down				3,902	4	9
				£802,836	9	9

Cr.

	£	s	d
By Consolidated Ordinary Stock (Rochdale Canal Act, 1899)	752,780	0	0
" Debenture Stock—Issue of 1888 @ 3½%..	48,000	0	0
" Premium on Debenture Stock	2,056	9	9
	£802,836	9	9
By Balance brought down	3,902	4	9

B.—REVENUE ACCOUNT.

Dr.

	1900	£	s	d
To Maintenance, Dredging, and Ice Breaking ..	£3,223	3,163	2	8
" General Charges	1,082	1,066	17	3
" Rents Payable..	1,693	1,716	3	0
" Rates, Taxes, and Insurance	1,493	1,577	13	1
" Law and Parliamentary Costs	568	1,237	0	10
" Directors' Fees	400	400	0	0
" Auditor and Accountant's Fees	48	48	0	0
" Interest on Debenture Stock	840	840	0	0
" Depreciation of Plant	897	991	2	11
		£11,039	19	9

Cr.

	1900	£	s	d
By Toll Traffic Receipts	£6,574	6,589	8	5
" Freight ditto	14,029	13,048	14	6
	20,603	19,638	2	11
Less Traffic Expenses	13,775	13,305	18	3
Net Traffic Receipts ..	6,828	6,332	4	8
" Rents Receivable	5,223	4,564	2	9
" Miscellaneous Receipts	10	97	13	11
" Bank Interest, *Less* Commission		31	8	8
" Balance at Debit of Revenue Account ..		14	9	9
		£11,039	19	9

C.—GENERAL BALANCE SHEET.

Dr.

Capital and Liabilities

	£	s	d	£	s	d
Proprietors' Capital, Loans and Debenture Stock, including Premium—per Account *A*				802,836	9	9
Outstanding Accounts	12,823	13	10			
Dividends Unpaid	62	3	8			
				12,885	17	6
Renewals Account—						
Amount, 30th June 1901	1,175	0	6			
Add Amount set aside this half-year ..	991	2	11			
	2,166	3	5			
Deduct Outlay on Renewals this half-year..	1,582	19	0			
				583	4	5
Revenue Account—						
Balance 30th June 1901 ..£3,642 1 1						
Less Dividend paid 24th August 1901 .. .. 2,822 18 6						
	819	2	7			
Less Debit Balance this half year—per Account *B*	14	9	9			
Balance available				804	12	10
				£817,110	4	6

Cr.

Property and Assets

		£	s	d
Expenditure on Land, Buildings, Construction of Canal, Plant, &c.—Per Account *A*		798,934	5	0
Stores on Hand		3,308	0	8
Accounts owing to the Company		8,010	5	5
Cash at Bank	£6,445 0 5			
Ditto in hands of Cashier and Agents ..	359 14 4			
		6,804	14	9
Fractions of Stock purchased under Rochdale Canal Act, 1899		52		
		£817,110	4	6

I have examined the foregoing Accounts and Balance Sheet, and certify that, in my opinion, they are correct, and exhibit the true position of the Company's affairs on the 31st December 1901.

A. MURRAY, *Auditor.*

MANCHESTER,
10th February 1902.

C. M. ROYDS, *Chairman.*

LONDON AND ST. KATHARINE DOCKS COMPANY.

Dr. 1.—RECEIPTS AND EXPENDITURE for the Half-Year ending 31st December 1897. *Cr.*

	31st Dec., 1896 £ s d	£ s d
To Salaries	504 6 8	500 17 9
„ Management, including Directors' Fees	1,493 1 7	1,537 2 9
„ Income Tax	2,098 7 4	2,364 9 2
„ Superannuation Allowances.. ..	2,659 11 9	2,560 11 8
„ Law Charges	136 16 8	19 10 3
„ Losses, Allowances, and Incidental Expenses	1,758 3 3	71 3 4
	8,650 7 3	7,053 14 11
„ Interest on Debentures and Loans	6,917 19 4	5,187 0 6
Ditto Debenture Stock ..	69,524 3 1	60,324 19 1
„ Dividend on 4½ per cent. Preferential Stock	9,450 0 0	9,450 0 0
„ Dividend on New 4½ per cent. Preference Stock (Act 1878)	13,500 0 0	13,500 0 0
„ Dividend on New 4½ per cent. Preference Stock (Act 1882)	13,500 0 0	13,500 0 0
	110,542 9 8	109,015 14 6
Balance carried to Profit and Loss ..	51,760 14 11	51,879 4 0
	£162,303 4 7	£160,894 18 6

	31st Dec., 1896. £ s d	£ s d
By Proportion of Profits from the London and India Docks Joint Committee, per Accounts ..	156,808 7 1	153,055 4 6
„ Rents of Premises	230 15 1	389 13 8
„ Interest on advance to Joint Committee on account of Sundry Works	5,080 0 2	6,211 4 1
„ Interest from Bankers, &c. ..	184 2 3	113 7 6
„ Adjustment of Local Rates to end of 1896, repaid by Joint Committee	..	1,125 8 0
	£162,303 4 7	£160,894 18 6

Dr. 2.—PROFIT AND LOSS. *Cr.*

	£ s d
To Dividend 30th June 1897	71,958 14 4
„ Balance	79,931 9 4
	£151,890 3 8

	£ s d
By Balance from 30th June 1897	100,010 19 8
„ „ „ Receipts and Expenditure Account..	51,879 4 0
	£151,890 3 8

Dr. 3.—CAPITAL. *Cr.*

	£ s d
To Cost of Docks, Warehouses, Land, Premises, and Works	10,919,408 5 1
£	10,919,408 5 1

		£ s d
By Capital Stock..	£5,756,697 5 10	
„ 4 per cent. Debenture Stock ..	3,016,248 18 1	
„ 4½ per cent. Preferential Stock ..	420,000 0 0	
„ New 4½ per cent. Preference Stock (Act 1878)	600,000 0 0	
„ New 4½ per cent. Preference Stock (Act 1882)	600,000 0 0	
		10,392,946 3 11
„ Debentures		396,517 1 11
„ Realised Property Account		62,061 5 8
„ Premium on Issue of Stock		67,883 13 7
	£	10,919,408 5 1

Dr. 4.—RESERVE FUND. *Cr.*

	£ s d
To Advance to Joint Committee on Account of New Entrance, West India Dock	169,175 19 7
„ Ditto New Shed, Royal Albert Dock	14,562 12 1
„ Ditto Frozen Meat Store, West Smithfield ..	70,156 16 0
„ Ditto New Cold Air Store, West India Dock ..	10,022 15 10
„ Ditto Victoria Graving Dock	26,652 9 0
„ Balance, being Debentures Redeemed	39,972 17 3
	£330,543 9 9

	£ s d
By Balance from 30th June 1897	323,033 6 11
„ Premium on Issue of Stock	7,510 2 10
	£330,543 9 9

Dr. 5.—ASSETS AND LIABILITIES. *Cr.*

	£ s d
To Outstanding Rental, &c.	6,092 0 0
„ The London and India Docks Joint Committee ..	151,615 0 2
„ Bankers' Balances	2,057 18 1
„ Cash in Hand	100 0 0
„ Deposit at Bankers	13,000 0 0
„ Debentures Redeemed	33,369 4 8
	£206,234 2 11

	£ s d
By Unclaimed Dividends	19,162 16 8
„ Unpaid Interest on Debentures and Preference Stocks	97,880 0 9
„ Properties Purchased and not conveyed	655 10 0
„ Unpaid Accounts	8,604 6 2
„ Balance of Profit and Loss	79,931 9 4
	£206,234 2 11

Examined with the Books of the London and St. Katharine Docks Company, and found correct.

DOCK HOUSE, 109 LEADENHALL STREET,
January 1898.

SAMUEL PETO, } *Auditors.*
A. M. BETHUNE, }

PENINSULAR AND ORIENTAL STEAM NAVIGATION COMPANY.

STATEMENT OF ACCOUNTS for the Year ended 30th September 1904.

GENERAL WORKING ACCOUNT.

Dr.

Expenditure.

		£ s d	£ s d
Expense of Navigating Ships, &c.—			
Coal, including Freight and all Charges..		618,271 17 6	
Lubricating and Lamp Oils and Water ..		34,935 5 8	
Port and Light Dues, Pilotage, Towage, and Miscellaneous Ships' Charges		178,398 3 2	
Pay of Commanders, Officers, and Crews		296,025 5 6	
			1,127,630 11 10
Provisioning of Passengers—Commanders, Officers, and Crews			284,451 19 2
Suez Canal Dues—On Ships and Passengers			322,091 3 10
General Administration at Home and Abroad, viz.—			
Directors' and Auditors' Fees		4,855 0 0	
Salaries and Wages of Employees at Home and Abroad, *all Stations*..		110,089 3 10	
Rents, Taxes, Fire Insurance and Repairs of Premises, *all Stations*..		14,195 11 10	
Telegrams, Telephones, and Stamps *all Stations*		10,945 5 4	
Advertising *do.*		10,845 0 7	
Stationery and Printing *do.*		6,076 16 11	
Office and House Expenses, Travelling Charges, &c. *do.*		13,284 10 10	
			170,291 9 4
Reduction of Establishments—			
Payments during the year on this Account			370 0 0
Miscellaneous Expenses—			
Damages, Claims on Cargo, and Law Charges..		11,979 7 0	
Life Assurances of Employees—Company's Contribution		4,414 17 4	
Expenses of Steamers laid up		2,525 2 10	
Quarantine Charges		2,946 10 8	
			21,865 17 10
Ships' Repairs, Stores, and General Maintenance Charges during present year..			212,463 12 7
Income Tax on Profits (balance)..			7,815 10 3
Stamp Duty on authorised issue of New Capital			2,950 0 0
Insurance Charges, viz.—			
Fire Insurance in Port, and risks to and from Antwerp, &c.		6,077 18 10	
S.S. "Australia" lost. Book Value		56,444 8 4	
Sundry Claims, Damages through stress of weather, and other casualties		26,764 1 1	
			89,286 8 3
Stock in Ships—			
Amount carried to that Account for ordinary Depreciation on Fleet during the year, being 5 per cent. per annum on original cost ..		376,703 14 2	
Extra Amount ..		123,296 5 10	
			500,000 0 0
Interest on 3½ per cent. Debenture Stock			50,104 5 0
Surplus—			
Dividends due 1st June, 1904, viz.—			
On Preferred Stock, 2½ per cent...	£29,000 0 0		
On Deferred do. 3½ "	40,600 0 0		
		69,600 0 0	
Dividends to be paid 20th December 1904—			
On Preferred Stock, 2½ per cent...	29,000 0 0		
On Deferred do. 6½ "	75,400 0 0		
Bonus on do. do. 3 "	34,800 0 0		
	139,200 0 0		
Balance to be carried forward, 1904-1905	10,535 0 7		
		149,735 0 7	
			219,335 0 7
			£3,008,655 18 8

Cr.

Receipts

	£ s d	£ s d
Amount brought forward from last Account ..	150,397 8 4	
Less Dividends, &c., due 18th December 1903	139,200 0 0	
		11,197 8 4
Passage Money..	958,356 4 7	
Freight, Charters, and Miscellaneous Services	1,625,996 13 0	
		2,584,352 17 7
Government Contract Services—		
India, China and Australia (net amount)	324,345 13 11	
Armed Cruisers, &c., Subvention	13,500 0 0	
		337,845 13 11
Interest and Discount—		
Balance of Account		68,099 1 9
Exchange		7,160 17 1
		£3,008,655 18 8

PENINSULAR AND ORIENTAL STEAM NAVIGATION COMPANY—*continued.*

RESERVE ACCOUNT.

Dr.	£ s d	*Cr.*	£ s d
Balance carried forward to next year	1,250,000 0 0	Balance brought forward from last year	1,250,000 0 0

SUSPENSE ACCOUNT.

Dr.	£ s d	*Cr.*	£ s d
Balance carried forward to next year	250,000 0 0	Balance brought forward from last year	250,000 0 0

GENERAL BALANCE SHEET, 30th September 1904.

Dr.

Assets, &c.		£ s d	£ s d
Stock in Ships, viz.—			
Reduced Book Value of Fleet at 30th September 1903		2,453,363 8 0	
Add— Cost of S.S. "Palermo," "Pera," "Moldavia," "Mongolia," "Palma," "Marmora," and "Macedonia"		1,681,954 9 9	
		4,135,317 17 9	
Deduct— Proceeds of Ships Sold	£52,361 19 6		
S.S. "Australia" Lost, Book Value	56,444 8 4		
Amount written off Fleet, as per General Working Account	500,000 0 0	608,806 7 10	
			3,526,511 9 11
Payments on account of New Ships			107,467 14 3
Steam Tenders, Launches, and Lighters			88,606 19 10
Coal, Naval and Victualling Stores			42,210 10 8
Graving Docks, Workshops and Machinery, Wharves, Buildings and Land (Freehold and Leasehold), Moorings, &c., at all Stations			262,701 11 10
Bills Receivable, Cash at Bankers, in hands of Agents, and Investments (*less* Acceptances)			2,316,162 3 11
			£6,343,660 10 5

Cr.

Liabilities, &c.	£ s d	£ s d
Capital Authorised: £3,500,000.		
Issued in Cumulative 5 per cent. Preferred Stock	1,160,000 0 0	
Do. in Deferred Stock	1,160,000 0 0	
		2,320,000 0 0
Debenture Stock at 3½ per cent.		1,448,100 0 0
Reserve Account		1,250,000 0 0
Suspense Account		250,000 0 0
Provident Good Service Fund		50,000 0 0
Sundry Balances; and Accounts not closed		875,825 9 10
General Working Account—		
Surplus	219,335 0 7	
Less Dividends due 1st June 1904	69,600 0 0	
		149,735 0 7
		£6,343,660 10 5

We have examined the foregoing Balance Sheet and Accounts, and find the same to be correct. We have also examined and verified the Company's Securities and Investments.

28th November 1904.

(Signed) W. F. COURTHOPE, F. A. WHITE, } *Auditors.*

ORDERS & HANDFORD STEAMSHIP COMPANY, LIMITED.

PROFIT AND LOSS ACCOUNT to October 31st 1903.

Dr.

Oct. 31st 1902		£ s d	£ s d
12,939 0 3	To Port and General Charges	16,406 12 10	
14,807 8 9	" Wages, Victualling, Coal, Stores, Repairs, and Maintenance	14,772 11 6	
8,763 14 4	" Insurance	9,025 0 5	
3,646 16 1	" Management, Salaries to Secretary and Superintendent Engineer, Income Tax, Audit Fees, Legal Expenses, Bank Charges, Printing, Stationery and Petties	3,167 0 4	
21 0 0	" Charity Subscriptions—Newport Hospital	21 0 0	
40 1 0	" *Debenture Interest*		
			43,392 5 1
14,050 17 4	" Balance to General Profit and Loss Account		7,028 8 6
£54,268 17 9			£50,420 13 7

Cr.

Oct. 31st 1902		£ s d
53,063 7 4	By Freights and Hire	49,028 13 8
828 7 6	" Return Brokerages and Discounts off Tradesmen's Accounts	1,106 4 4
1 17 6	" Transfer Fees	0 12 6
375 5 5	" Interest on Deposit	285 3 1
£54,268 17 9		£50,420 13 7

GENERAL PROFIT AND LOSS ACCOUNT.

Dr.

Oct. 31st 1902		£ s d
15,626 9 5	To Balance	8,398 16 5
£15,626 9 5		£8,398 16 5

Cr.

Oct. 31st 1902			£ s d	£ s d
	By Balance brought forward from Account to October 31st 1902		15,626 9 5	
	Deduct:—Interim Dividend paid April 30th 1902 ..	4,098 3 6		
	Final Dividend for year paid Nov. 11th 1902	4,157 18 0		
	Reserve Fund ..	6,000 0 0		
			14,256 1 6	
1,575 12 1				1,370 7 11
14,050 17 4	" Balance from Profit and Loss Account ..			7,028 8 6
£15,626 9 5				£8,398 16 5

ORDERS AND HANDFORD STEAMSHIP COMPANY, LIMITED—*continued.*

Dr. BALANCE SHEET, October 31st 1903. *Cr.*

Oct. 31st 1902	*Capital and Liabilities*		£ s d	£ s d
	To Share Capital—			
120,000 0 0	Authorised 50,000 Ordinary Shares at £5		250,000 0 0	
	Issued 18,600 do. do.		93,000 0 0	
	Less Arrears of Calls		728 0 0	
83,238 0 0				92,272 0 0
10,000 0 0	" *Reserve Fund*			
	" Balance due Builders			10,000 0 0
4,863 11 11	" Sundry Creditors			4,990 16 5
1,697 14 5	" Bills Payable			2,274 7 4
	" Balance of General Profit and Loss Account		8,398 16 5	
	Less Amount deducted from Capital Expenditure as per contra	3,520 0 0		
	Interim Dividend paid April 30th 1903—			
	16,205 fully paid Shares at 2/6 .. .. 2,025 12 6			
	2,287 partly paid Shares at 1/- .. 114 7 0			
		2,139 19 6		
			5,659 19 6	
11,528 5 11				2,738 16 11
£111,327 12 3				£112,276 0 8

Oct. 31st 1902	*Property and Assets*		£ s d	£ s d
	By Cost of Steamers as per last Balance Sheet		97,993 19 1	
	" do. "Reggio"		20,316 0 11	
	" do. "Rhio"		26,760 0 0	
			145,070 0 0	
	Deduct Amount written off from:—			
	General Profit and Loss Account to October 31st 1902	22,550 0 0		
	Reserve Fund Transferred	16,000 0 0		
	General Profit and Loss Account to October 31st 1903, as per contra ..	3,520 0 0		
			42,070 0 0	
75,443 19 1				103,000 0 0
25,347 3 4	" Cash at Bank on Current Account			1,452 0 0
7,954 17 4	" Sundry Debtors			4,650 3 2
2,581 12 6	" Unexpired Insurances			3,173 17 6
£111,327 12 3				£112,276 0 8

TO THE SHAREHOLDERS OF THE ORDERS & HANDFORD STEAMSHIP CO., LTD.

In accordance with the provisions of the Companies Act, 1900, I hereby certify that all my requirements as Auditor have been complied with.
I have audited the Books, Accounts and Vouchers of the Company, and report that, in my opinion, the above Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as shown by the Books of the Company.

NEWPORT, MON.
2nd November 1903.

CHARLES E. PARSONS, F.C.A.
(Charles E. Parsons & Jolliffe, *Chartered Accountants.*)

ADMIRAL STEAM TRAWLING COMPANY, SCARBOROUGH.

STATEMENT OF ACCOUNTS FOR HALF-YEAR ENDING JUNE 30TH 1896.

The "Admiral" is insured against total loss for £1,200.

CAPITAL ACCOUNT.

Date		£ s d	Date		£ s d
1895 Dec. 31	To "Admiral"	2,250 0 0	1896 June 30	By "Admiral"	2,250 0 0

REVENUE ACCOUNT.

Date		£ s d	£ s d	Date		£ s d	£ s d
1896 June 30	Commission	67 4 8		1896 June 30	By Sales	889 13 0	
"	Landing Dues	9 3 10		"	" Sale of Old Rope, &c.	0 11 0	
"	Harbour Dues { Scarborough	2 4 6		"	" Insurance Club's proportion of Salvage Claim	10 13 4	
	Harbour Dues { Hartlepool	3 9 2	82 2 2				900 17 4
"	Fishermen	170 15 2					
"	Wages	179 13 0					
"	Labour	21 17 5	372 5 7				
"	Coals	119 0 0					
"	Oils	14 2 4	133 2 4				
"	Engineers, Repairs, &c.	92 6 7					
"	Ropes, Stores, &c.	51 9 5					
"	Net Braiding, Mending, and Tarring	11 11 2					
"	Carpenters	1 8 0					
"	Painting	2 11 0					
"	Salvage Claim	20 0 0	179 6 2				
"	Insurance	12 0 0					
"	Management	10 0 0					
"	Sundries	2 7 0					
"	Printing and Stamps	0 9 3					
"	Bankers' Charge	0 5 0	25 1 3				
"	Profit and Loss Account	44 19 10					
"	Dividends	64 0 0	108 19 10				
			£900 17 4				£900 17 4

PROFIT AND LOSS ACCOUNT.

Date		£ s d	Date		£ s d
Dec. 31 1895	To Balance Due to Bank	21 15 10	Dec. 31 1895	By Cash in hand	0 10 6
June 30 1896	" Cash in hand	1 12 11	June 30 1896	" Revenue Account	44 19 10
	" Balance at Bank	22 1 7			
		£45 10 4			£45 10 4

Examined with Vouchers and found correct—SAMUEL SMITH, Merchant and Broker, Scarborough.

THE IMPERIAL TOBACCO COMPANY (OF GREAT BRITAIN AND IRELAND), LTD.

Dr. BALANCE SHEET, 31st October 1906. *Cr.*

		£ s d	£ s d
To Capital Authorised:			
6,000,000 5½ per cent. Cumulative Preference Shares ..		6,000,000 0 0	
6,000,000 6 per cent. Non-Cumulative Preferred Ordinary Shares		6,000,000 0 0	
6,000,000 Deferred Ordinary Shares		6,000,000 0 0	
		£18,000,000 0 0	
" Capital Issued:			
4,959,249 5½ per cent. Cumulative Preference Shares ..			4,959,249 0 0
5,260,469 6 per cent. Non-Cumulative Preferred Ordinary Shares			5,260,469 0 0
5,270,436 Deferred Ordinary Shares			5,270,436 0 0
			15,490,154 0 0
" 4½ per cent. First Mortgage Debenture Stock			2,065,011 0 0
" Accrued Interest on Debenture Stock			29,095 6 8
" Provision for Pensions			200,257 1 11
" Creditors and Credit Balances ..			879,663 17 0
" Bills payable and Drafts in transit			68,055 16 3
" Capital Reserve as at 31st October 1905, applied in reduction of Goodwill, per Contra		114,000 0 0	
" General Reserve Account			1,000,000 0 0
" Profit and Loss Account—			
Net Trading Profit and Transfer Fees		1,787,931 17 0	
Less Interest, Management Remuneration, &c.	187,058 13 10		
Provision for Pensions ..	100,000 0 0		
Transfer to General Reserve	250,000 0 0		
		537,058 13 10	
Balance for the year (per Profit and Loss Account, page 15) ..		1,250,873 3 2	
Balance at 31st October 1905, after deducting Customers' Bonuses to that date		105,191 2 9	
		1,356,064 5 11	
Less Interim Dividends paid:			
On 5½ per cent. Cumulative Preference Shares ..	136,379 7 0		
On 6 per cent. Non-Cumulative Preferred Ordinary Shares ..	157,814 1 5		
		294,193 8 5	1,061,870 17 6
			£20,794,107 19 4

MEMO.—
(*a*) There are Contingent Liabilities of the nature of Guarantees of Dividends on Shares in two Associated Companies.
(*b*) There is an uncalled Liability on Investments held of £123,625.

	£ s d
By Land, Buildings, Plant and Machinery, after deducting Depreciation	2,090,392 9 11
" Goodwill and Patent Rights (*less* £114,000 transferred from Capital Reserve)	9,447,004 16 11
" Investments in Associated Companies..	2,226,436 8 7
" Stock-in-Trade	3,957,792 7 11
" Debtors (*less* Reserve for Discounts and Bad and Doubtful Debts)	1,278,005 2 4
" Payments on account of Leaf in transit, unexpired Insurances, &c.	79,552 9 6
" Bills Receivable	2,274 14 10
" Investments in Government, County Council, and Corporation Stocks and Debentures, Railway Debenture and Preference Stocks	900,102 17 11
" Loans on Securities for short periods	264,837 11 0
" Cash at Bankers and in hand	547,709 0 5
	£20,794,107 19 4

In accordance with the provisions of the Companies Act, 1900, I certify that all my requirements as Auditor have been complied with, and I report to the Shareholders that I have audited the books of the Company, and in my opinion the above Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs on 31st October 1906, as shown by the books of the Company.

LONDON WALL BUILDINGS,
FINSBURY CIRCUS, LONDON, E.C.
22nd January 1907.

WILLIAM PLENDER, *Auditor*,
(DELOITTE, PLENDER, GRIFFITHS & CO.),
Chartered Accountant.

F. H. THORPE, A.C.A.,
Chief Accountant.

WINTERSTOKE, *Chairman.*
GEO. A. WILLS, *Deputy-Chairman.*
H. W. GUNN, *Secretary.*

THE IMPERIAL TOBACCO COMPANY (OF GREAT BRITAIN AND IRELAND), LTD.—*continued.*

Dr. PROFIT AND LOSS ACCOUNT, for the year ended 31st October 1906. *Cr.*

	£	s	d		£	s	d
To Directors' and Trustees' Fees and Management Remuneration	76,795	14	6	By Net Trading Profit and Interest and Dividends on Investments (including Dividends from Companies operating outside the United Kingdom), Loans and Bank Deposits, after providing for Depreciation, Working Expenses, Head Office and Registration Charges	1,787,340	3	0
Interest paid and accrued on Debenture Stock ..	87,762	19	4	" Transfer and other Fees	591	14	0
" Reserve for Income Tax	22,500	0	0				
	187,058	13	10				
" Provision for Pensions	100,000	0	0				
" Transfer to General Reserve Account	250,000	0	0				
" Balance carried to Balance Sheet (page 14) ..	1,250,873	3	2				
	£1,787,931	17	0		£1,787,931	17	0

Dr. APPROPRIATION ACCOUNT. *Cr.*

	£	s	d	£	s	d
To Dividends upon 5½ per cent. Cumulative Preference Shares—						
Interim Dividend to 30th April 1906, paid 1st August 1906 ..	136,379	7	0			
Half-year's Dividend to 31st October 1906, payable 1st February 1907	136,379	7	0			
				272,758	14	0
" Dividends upon Ordinary Shares—						
On 6 per cent. Non-Cumulative Preference Shares—						
Interim Dividend to 30th April 1906, paid 1st September 1906	157,814	1	5			
Half-year's Dividend to 31st October 1906, payable 1st March 1907	157,814	1	5			
On Deferred Ordinary Shares—						
Proposed Dividend of 10 per cent. for the year (free of Income Tax)	526,446	5	10			
				842 074	8	8
" Bonus to Customers for the half-year to 30th April 1906, payable 12th January 1907				61,550	5	7
" Balance to be carried to next Account (including Reserve for Bonus to Customers, half-year ended 31st October 1906)				179,680	17	8
				£1,356,064	5	11

	£	s	d	£	s	d
By Balance from last Account	167,488	11	7			
Less Bonuses to Customers paid thereout	62,297	8	10			
				105,191	2	9
" Balance from Profit and Loss Account for the year ..				1,250,873	3	2
				£1,356,064	5	11

ENGLISH SEWING COTTON COMPANY, LIMITED.

Dr. BALANCE SHEET, 31st March 1903. *Cr.*

		£ s d
To Sha·e Capital authorised, issued, and paid up :—		
1,000,000 5% Cumulative Preference Shares of £1 each		1,000,000 0 0
1,000,000 Ordinary Shares of £1 each		1,000,000 0 0
" Debenture Stock authorised, issued, and paid up :—		
4% First Mortgage Debenture Stock	£1,000,000 0 0	
Interest accrued thereon to 31st March 1903	10,000 0 0	
		1,010,000 0 0
" Loan on security of the Common Stock of the American Thread Co., and Interest		134,986 6 0
" Capital Reserve Account		112,601 13 6
" Sundry Creditors		82,075 12 9
		£3,339,663 12 3

		£ s d	£ s d
By Freehold and Leasehold Properties, Plant, Machinery, &c. (including capital outlay on same since their acquisition), and Goodwill of original purchases, also fully-paid shares in Subsidiary Companies, fully-Paid Preference and Ordinary Shares in R. F. & J. Alexander & Co., Limited, and 1,200,000 Shares of $5 each ($3½ per share paid up) of the Common Stock of the American Thread Company (as per Balance Sheet 31st March 1902)		2,342,515 3 0	
Deduct Amount of Interest previously included in purchase of Messrs. R. F. & J. Alexander & Co., Limited, in error ..		1,240 10 11	
		2,341,274 12 1	
Add Capital Expenditure during year ended 31st March 1903, less Sales (exclusive of £21,480 5s. 0d. expended by Subsidiary Companies)	£6,272 9 4		
Amounts expended on Strutt Branch, 1901, 1902, and 1903, now transferred..	13,681 0 3		
		19,953 9 7	
" English Thread Co., Limited—Purchase of 120 Guaranteed Preference Shares of £10 each		1,200 0 0	
" The Thread Agency—250 Shares of $100 each, fully paid = $25,000 ..		5,137 3 3	
" The Yarn Agency—100 Shares of $100 each, fully-paid = $10,000 ..		2,054 17 4	
		2,369,62 2 3	
Less Depreciation on English Plants, Furniture, and Fittings for the year		33,869 9 4	
" Total Properties, &c. (including "Closed Works Account," £27,533 12s. 3d.), at 31st March 1903			2,335,750 12 11
" The American Thread Company, Current Account			104,360 7 2
" Subsidiary Companies—Balance of amounts due, and Dividends and Profit yet to receive			146,127 5 9
" Stocks-in-Trade valued on basis of Cost or Net Realisation whichever is lower			435,787 8 10
" Sundry Debtors (*less* Provision for Discounts and Bad Debts)			202,656 5 3
" Cash at Bankers and in hand ..			50,204 6 4
PROFIT AND LOSS ACCOUNT.			
" Balance brought forward as per Directors' Report dated 8th September 1902		110,792 15 8	
Add amount of interest previously included in the purchase price of Messrs. R. F. & J. Alexander & Co., Limited, in error		1,240 10 11	
Amount previously credited to Profit and Loss Account as "Profits of and incident to the flotation of the American Thread Co.," now written back and credited to Capital Reserve Account..		112,601 13 6	
		224,635 0 1	
Deduct Reserve Account now transferred to Profit and Loss Account		124,620 17 3	
		100,014 2 10	
Less Profit for the year as per Account		35,236 16 10	
Leaving a net debit to be carried forward of ..			64,777 6 0
			£3,339,663 12 3

ENGLISH SEWING COTTON COMPANY, LIMITED—*continued.*

Dr. PROFIT AND LOSS ACCOUNT, for year ended 31st March 1903. *Cr.*

		£ s d	£ s d
To Directors' Fees—March to September 1902		2,082 3 9	
" " September 1902 to March 1903		2,058 6 8	4,140 10 5
Law Charges and Accountancy			2,060 15 10
Depreciation on English Plants, Furniture, and Fittings		33,869 9 4	
Depreciation on Barcelona Plant, Furniture, and Fittings		4,691 10 4	38,560 19 8
Debenture Interest for one year ..			40,000 0 0
Special Payments made during the year:—			
C. Diamond—Amount voted by Shareholders ..	£2,000 0 0		
Awarded by the Manchester Chamber of Commerce (for services from April to September 1902)..	500 0 0	2,500 0 0	
John Edward Lawton (for half-year to 31st March 1903, as per agreement)..		1,500 0 0	
Expenses of Shareholders' Investigation Committee		109 10 11	4,109 10 11
Balance carried down			35,236 16 10
			£124,108 13 8

	£ s d	£ s d
By Manufacturing Profits	85,863 14 4	
Dividends from The American Thread Company, The Thread Agency, and the Yarn Agency	35,035 19 1	120,899 13 5
Income Tax—Balance of Account ..	2,773 14 11	
Transfer Fees	435 5 4	3,209 0 3
		£124,108 13 8
By Balance brought down, being Profit for the year transferred to Balance Sheet		£35,236 16 10

In accordance with the provisions of the Companies Act, 1900, we certify that all our requirements as Auditors have been complied with. Our Report to the Shareholders accompanies this Balance Sheet.

WM. ASHWORTH,
JNO. P. GARNETT,
JOHN E. HALLIDAY, } *Joint Auditors.*

Chartered Accountants.

Manchester, 29th July 1903.

MANCHESTER, *29th July* 1903

To the Shareholders of

THE ENGLISH SEWING COTTON COMPANY, LIMITED.

GENTLEMEN,

We have audited the Accounts of the Company for the year ended 31st March 1903, and the Balance Sheet of that date, and have to report that such Balance Sheet is, in our opinion, properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as shown by the books of the Company.

PROPERTIES, &c.—The item, £2,335,750 12s. 11d. is explained in the Balance Sheet itself, and the remarks we desire to make upon it are, that the Closed Works now stand at £27,533 12s. 3d., that the item of "Goodwill and Trademarks" remains unaltered at the sum of £448,941 15s. 3d., and that the sum of £13,681 0s. 3d., Capital Expenditure at the Strutt Branch, includes expenditure incurred up to 31st March 1902 amounting to £12,470.

Depreciation has been charged at the following rates:—

On Buildings, including Sprinklers	at 2½ per cent.
,, Fixed Plant	,, 5 ,,
,, Loose Plant and Machinery	,, 7½ ,,
,, Office and Warehouse Furniture and Fittings a sum exceeding	,, 10 ,,

The item of Depreciation, £33,869 9s. 4d., in the Balance Sheet is in respect of English plant only and does not include the depreciation charged on the plants of R. F. & J. Alexander & Company, Limited, and Ermen & Roby (Armentières), Limited, which are separately dealt with in the accounts of those companies. In addition to the item of £33,869 9s. 4d., the depreciation on the Barcelona Mills, amounting to £4,691 10s. 4d., has been charged against the Profit and Loss Account.

SUBSIDIARY COMPANIES.—Balance of amounts due and dividends and profits yet to receive, £146,127 5s. 9d., comprises sums advanced to R. F. & J. Alexander & Company, Limited, and Ermen & Roby (Armentières), Limited (less a credit balance of account with the English Thread Company) as well as the dividend of £34,720 to be received from the American Thread Company.

STOCKS-IN-TRADE.—Printed instructions are issued by the Head Office as to the manner in which the stocks are to be valued, and some responsible person at each of the branches has certified that the quantities and prices are correct, and are taken in accordance with such printed instructions.

The Stock Sheets are, in all cases, signed as approved by a member of the Executive Committee. As stated in the Balance Sheet, the mode of valuation is "at cost or net realisation (whichever is lower)," and we are of opinion that the lines laid down in the printed instructions are fair and reasonable.

SUNDRY DEBTORS.—This item includes the foreign trade debtors, the accounts of which are kept by the Company's agents for foreign trade, the Central Agency, Limited. Summarised statements thereof, certified by Mr. David W. Kidston, one of the auditors of the Central Agency, Limited, have been produced to us.

Proper provision has, in our opinion, been made for Bad and Doubtful Debts and for Discounts.

CASH AT BANKERS AND IN HAND.—We have verified the cash at Bankers and at the Head Office and at some of the branches. With regard to cash at foreign banks and agencies under the control of the Central Agency, our remarks under the head of Sundry Debtors also apply.

PROFIT AND LOSS.—The net profit on the year's working, after paying £40,000 interest on Debentures, is £35,236 16s. 10d.

In the last Report of the Directors the question was raised as to whether the sum of £112,601, representing "profits of and incident to the promotion and formation of the American Thread Company," which had been taken to the credit of Profit and Loss Account for the year ending 31st March 1899, should have been so dealt with.

At the request of the Company's Solicitors we considered the matter, and on the 2nd April last wrote them that in our opinion the sum of £112,601 could not be properly treated as profit. Subsequently the opinion of Counsel was obtained, who advised that the account should be amended by debiting the said sum of £112,601 to Profit and Loss, and passing a corresponding amount to the credit of a "Capital Reserve Account." Counsel further advised that the whole of the sum appearing in the Balance Sheet of 31st March 1902 to the credit of "Reserve Account" might properly be applied in reduction of any sum standing to the debit of Profit and Loss Account. In the present accounts the opinion of Counsel on both these points has been given effect to.

There has also been debited to Profit and Loss Account a sum of £1,240 10s. 11d., interest paid on the purchase money for the Ordinary Shares in R. F. & J. Alexander & Company, Limited, which had been erroneously taken in the Balance Sheet at 31st March 1899, and subsequent Balance Sheets, as part of the cost of those Shares, and the like amount has been deducted from the Capital Expenditure.

After making these adjustments the amount at the debit of Profit and Loss Account is £64,777 6s. 0d.

We are, Gentlemen,

Your obedient Servants,

WM. ASHWORTH,
JNO. P. GARNETT, } *Auditors.*
JOHN E. HALLIDAY,

Chartered Accountants.

THE FINE COTTON SPINNERS' AND DOUBLERS' ASSOCIATION, LIMITED.

Dr. PROFIT AND LOSS ACCOUNT for the Year ended 31st March 1903. *Cr.*

	£	s	d		£	s	d
To Interest on Debenture Stock	110,000	0	0	By Balance brought forward from last year's Account ..	13,989	13	5
" Balance carried to Balance Sheet	320,739	4	3	" Profits for the Year, including undistributed Profits of Subsidiary Companies, after charging Central Office Expenses, Management Salaries, and Directors' Fees, and after provision for Depreciation, Income Tax, and Bonuses to Management and Auditors' Remuneration	416,749	10	10
	£430,739	4	3		£430,739	4	3

BALANCE SHEET, 31st March 1903.

Liabilities.

		£ s d	£ s d
SHARE CAPITAL:—			
Nominal Capital—			
3,000,000 Five per Cent. Cumulative Preference Shares, £1 each		£3,000,000 0 0	
3,000,000 Ordinary Shares, £1 each		3,000,000 0 0	
		£6,000,000 0 0	
Capital issued and subscribed—			
2,000,0000 Preference Shares, £1 each, fully paid		£2,000,000 0 0	
1,900,000 Ordinary Shares, £1 each, fully paid		1,900,000 0 0	3,900,000 0 0
Four per Cent. First Mortgage Debenture Stock:— Amount authorised and issued..			2,000,000 0 0
Four per Cent. First Mortgage Extension Debenture Stock:— Amount authorised and issued..			750,000 0 0
Interest on Debenture Stock (*less* Tax).. ..			51,562 9 1
Reserves:—			
Amount set apart out of profits ..		£330,075 0 0	
Premium on Shares issued		319,925 0 0	650,000 0 0
Insurance Fund			888 8 1
Superannuation and Pension Fund			3,257 14 8
Loans			53,876 7 1
Sundry Creditors, on Bills and Open Accounts			558,518 5 7
Profit and Loss Account—Balance from Profit and Loss Account		£320,739 4 3	
Deduct Interim Dividends paid—			
On Preference Shares at 5 per cent. per annum	£50,000 0 0		
On Ordinary Shares at 6 per cent. per annum	57,000 0 0	107,000 0 0	
Balance available for appropriation ..			213,739 4 3
			£8,181,842 8 9

Assets.

	£ s d	£ s d
Properties comprising Land, Mills, Buildings, Machinery, and Goodwill of Associated Concerns, at cost, as per last Balance Sheet		4,896,725 4 4
Add—Additions to Properties during the Year ended 31st March 1903, *less* Realisations		114,121 10 4
		5,010,846 14 8
Less Depreciation Fund:— Balance at 31st March 1902 ..	£233,771 2 5	
Add—Depreciation for Year ended 31st March 1903	140,000 0 0	
	373,771 2 5	
Deduct—Outlay on Renewals of Properties during the Year, in addition to Ordinary Repairs charged against Profits	132,707 2 11	241,063 19 6
		4,769,782 15 2
Sundry Investments, Loans and Shares in Subsidiary Companies	..	1,321,719 8 4
Central Office Furniture, Fixtures, &c...	£2,822 8 9	
Less Depreciation	300 0 0	2,522 8 9
Stock-in-Trade:—Cotton	£642,273 6 10	
Yarn and Stores ..	858,322 8 1	1,500,595 14 11
Trade Debtors	£508,408 18 4	
Rents, Rates, Insurance, &c., paid in advance	7,555 7 9	515,964 6 1
Profits of Subsidiary Companies not yet distributed	..	65,546 1 11
Cash at Bankers and in hand	..	5,711 13 7
		£8,181,842 8 9

TO THE SHAREHOLDERS OF THE FINE COTTON SPINNERS' AND DOUBLERS' ASSOCIATION, LIMITED.

In conformity with the requirements of the Companies Act, 1900, we hereby certify that all our requirements as Auditors have been complied with. We have to Report that we have examined the Books, Accounts, and Vouchers of the Company in respect of the twelve months ended 31st March 1903, and that, in our opinion, the foregoing Balance Sheet is properly drawn up so as to exhibit a true and correct view of the Company's affairs as shown by the Books of the Company.

7 King Street, Manchester.
19th May 1903.

EDWIN GUTHRIE & Co.,
Chartered Accountants.

THE WALL PAPER MANUFACTURERS, LIMITED.

PROFIT AND LOSS ACCOUNT, Year ending 31st August 1905.

	£	s	d
Debenture Interest for the year ending 31st August 1905 ..	39,711	3	8
Interim Dividend on Preference Shares for the half-year to 28th February 1905, paid 29th April 1905	24,652	16	6
Income Tax	3,649	14	7
Balance for appropriation as appearing in the Balance Sheet	290,727	12	2
	£358,741	6	11

	£	s	d	£	s	d	£	s	d
Balance from last year's Account :—									
Balance for appropriation at 31st August 1904				256,936	12	8			
Less Final Dividend on Preference Shares paid 31st October 1904 ..	24,652	16	6						
Dividend on Ordinary Shares paid 30th November 1904	86,769	13	7						
Reserve Fund	30,000	0	0						
				141,422	10	1			
							115,514	2	7
Profit for the year on Trading, after making provision for Depreciation and Bad and Doubtful Debts, Dividends on Investments, and Interest				242,887	14	9			
Transfer Fees				339	9	7			
							243,227	4	4
							£358,741	6	11

BALANCE SHEET, 31st August 1905.

Liabilities.

	£	s	d
Capital Issued and Subscribed—			
986,113 Preference Shares of £1 each, fully paid..	986,113	0	0
1,084,621 Ordinary Shares of £1 each, fully paid ..	1,084,621	0	0
1,084,621 Deferred Shares of £1 each, fully paid ..	1,084,621	0	0
	3,155,355	0	0
Four per cent. First Mortgage Debenture Stock	986,113	0	0
Creditors, *less* Discounts	92,653	18	1
Rent and Taxes accrued..	1,907	8	4
Reserve Fund	130,000	0	0
Profit and Loss Account—Balance for appropriation ..	290,727	12	2
	£4,656,756	18	7

Assets.

	£	s	d	£	s	d
Capital Expenditure on Land, Buildings, Plant, Machinery and Goodwill, as per last Balance Sheet	3,221,861	8	6			
Additions during the Year	89,578	1	9			
	3,311,439	10	3			
Less Depreciation for the Year ..	30,000	0	0			
				3,281,439	10	3
Investments :—						
Local Loans Stock £110,000 @ 95 per cent.	104,500	0	0			
Loans to Municipal Authorities ..	100,000	0	0			
Other Securities	136,828	3	10			
				341,328	3	10
Stock-in-Trade				512,237	18	2
Debtors, *less* Reserve for Bad and Doubtful Debts				300,685	8	9
Insurance, &c., paid in advance ..				5,405	9	2
Bills receivable at Bankers and in hand				132,747	12	5
Cash at Bankers and in hand				82,912	16	0
				£4,656,756	18	7

W. B. HUNTINGTON, *Chairman.*

JOHN COCKSHUT,
G. W. OSBORN, } *Directors.*

JOHN E. ENTWISLE, *Secretary.*

To the Shareholders of THE WALL PAPER MANUFACTURERS, LIMITED :

We hereby Certify that all our requirements as Auditors have been complied with. We have to report that in our opinion the above Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as shown by the Books of the Company.

EDWIN GUTHRIE & CO., Chartered Accountants, *Auditors.*

MANCHESTER, 23*rd October* 1905.

THE NORTH BRITISH & MERCANTILE INSURANCE COMPANY.

REVENUE ACCOUNTS.

No. 1.—FIRE ACCOUNT—YEAR 1904.

	£ s d		£ s d
Reserve at 31st December 1903	1,550,000 0 0	Losses by Fire, including Baltimore and Toronto conflagrations, less Re-insurances	1,273,458 9 3
Premium Reserve at 31st December 1903	728,152 4 6	Commission	332,154 8 8
Sum set aside out of 1903 Profit to provide for Losses by Baltimore and Toronto Fires	200,000 0 0	Expenses of Management	*308,443 12 3
Premiums received in 1904, less Re-insurances	1,938,336 6 1	Premium Reserve at 31st December 1904	775,334 10 5
		Reserve at 31st December 1904	1,550,000 0 0
		Balance carried to Profit and Loss	177,097 10 0
	£4,416,488 10 7		£4,416,488 10 7

* DETAILS OF EXPENSES OF MANAGEMENT.

	£ s d
Salaries at Home and Abroad, including Directors' Fees	209,260 18 5
Foreign and Colonial Government Taxes and Licences, Rents, and Sundry Office Expenses	67,036 9 11
Agents' Charges and Travelling Expenses	30,203 2 1
Books, Advertising, Postages, Telegrams, &c.	33,150 19 10
Retiring Allowances	8,620 18 8
Law Expenses	1,884 15 10
Salvage Corps, &c.	8,663 18 0
	£358,821 2 9
Deduct—Applicable to the Life Department	50,377 10 6
	£308,443 12 3

No. 2.—PROFIT AND LOSS—YEAR 1904.

	£ s d		£ s d
Balance from 1903	731,511 0 2	Sum authorised by Shareholders to be set aside to provide for Losses by Baltimore and Toronto conflagrations	200,000 0 0
Balance from Fire Account, 1904	177,097 10 0	Dividend and Bonus to Shareholders for 1903 paid in May and November 1904	189,750 0 0
Interest and Dividends, less Income Tax	118,293 18 1	Superannuation Fund	1,000 0 0
Transfer Fees	82 17 6	Irrecoverable Balances	1,057 17 8
Shareholders' Life and Annuity Profit Account	24,750 0 0	Income Tax	8,004 0 0
		Balance at 31st December 1904	651,923 8 1
	£1,051,735 5 9		£1,051,735 5 9

No. 3.—LIFE ASSURANCE ACCOUNT—YEAR 1904.

	£ s d		£ s d	£ s d
Amount of Life Assurance Fund at the beginning of the year	10,074,502 2 4	Claims under Policies, after deduction of sums re-assured		817,107 9 4
Premiums, after deduction of Reassurance Premiums	927,733 10 7	Policies emerged by Death	714,215 8 7	
Interest—*less* Income Tax	397,103 7 0	Endowment Assurance Policies matured	102,892 0 9	
Recording Fees	338 10 0		£817,107 9 4	
		Surrenders—		
		Of Policies and Bonuses thereon		48,095 7 11
		Bonuses in Cash		18,322 9 4
		Commission		49,709 13 0
		Expenses of Management		76,694 0 0
		Irrecoverable Balances		102 18 4
		Amount of Life Assurance Fund at the end of the year		10,389,645 12 0
	£11,399,677 9 11			£11,399,677 9 11

THE NORTH BRITISH AND MERCANTILE INSURANCE COMPANY—*continued.*

No. 4.—ANNUITY ACCOUNT—YEAR 1904.

	£	s	d		£	s	d
Amount of Annuity Fund at the beginning of the year	3,079,686	14	3	Annuities paid	301,399	18	9
Consideration for Annuities granted, after deduction of Re-assurances	177,116	2	6	*Less* received under Re-assurances	11,006	8	6
Premiums, after deduction of Re-assurance Premiums	6,086	8	3		£290,393	10	3
Premiums for Sinking Fund Policies, after deduction of Re-assurance Premiums	7,403	16	11	Income Tax	5,583	5	0
Interest—*less* Income Tax	116,434	8	1		£295,976	15	3
				Commission	1,976	13	9
				Expenses of Management	5,311	15	7
				Surrenders	575	10	5
				Amount of Annuity Fund at the end of the year ..	3,082,886	15	0
	£3,386,727	10	0		£3,386,727	10	0

BALANCE SHEETS.

No. 5.—LIFE BALANCE SHEET—31st December 1904.

Liabilities.	£	s	d	£	s	d
Life Assurance Fund at 31st December 1904				10,389,645	12	0
Outstanding Liabilities				195,179	13	5
Claims admitted, but not paid ..	144,275	13	3			
Commission, &c., due	25,556	15	9			
Re-assurance Premiums due, but unpaid	13,092	19	9			
Unclaimed Policy Values	10,509	9	2			
Interest received, but not due ..	1,504	2	4			
Due to Fire Department	240	13	2			
	£195,179	13	5			
				£10,584,825	5	5

Assets.	£	s	d
Mortgages on Property within the United Kingdom ..	3,323,363	4	5
Mortgages on Property out of the United Kingdom ..	868,572	7	8
Loans on Security of Rent Charges	33,258	1	8
Loans secured upon Public Rates..	67,247	13	3
Loans on Life Interests and Reversions	862,572	0	9
Life Interests, Reversions, and Annuities purchased..	32,398	13	9
Ground Rents	212,846	16	0
Loans on the Company's Policies within the Surrender Values..	490,420	18	0
Half-Credit Premiums secured upon Policies	10,622	17	10
British Government Securities	4,677	12	7
Indian and Colonial Government Securities	344,027	12	3
Guaranteed Indian Railway Debentures ..	37,358	0	0
Indian Government Railway Annuities	144,366	1	4
Foreign Government Securities	275,389	19	7
Indian and Colonial Municipal Securities	825,223	19	0
Foreign Municipal Securities	73,437	16	5
Railway and other Debentures and Debenture Stocks	1,067,871	12	11
Railway and other Preference and Ordinary Stocks and Shares	217,649	14	10
Foreign Railway Bonds and Debenture Stock.. ..	761,012	11	9
Foreign Railway Guaranteed Stock and Bonds ..	57,075	19	4
Foreign Railway Ordinary Stock	30,356	10	11
Freehold Property	16,748	0	8
Leasehold Property	4,697	8	9
Loans upon Personal Security	328,410	2	9
Short Loans on Security	31,000	10	0
Agents' Balances	105,960	19	7
Outstanding Premiums	141,495	10	2
Outstanding Interest	144,988	2	11
Cash in Hand and on Current Account Abroad ..	22,244	15	11
Cash in Hand and on Current Account at Home ..	29,809	6	9
Cash on Deposit at Home	17,500	0	0
Bills Receivable	165	10	7
Due by Annuity Branch	2,054	11	1
	£10,584,825	5	5

THE NORTH BRITISH AND MERCANTILE INSURANCE COMPANY—*continued.*

No. 6.—ANNUITY BALANCE SHEET—31st December 1904.

Liabilities.	£ s d	£ s d	*Assets.*	£ s d
Annuity Fund at 31st December 1904		3,082,886 15 0	Mortgages on Property within the United Kingdom	669,897 11 4
Outstanding Liabilities		9,376 3 4	Loans secured upon Public Rates	58,139 2 4
			Loans on Life Interests and Reversions	546,679 11 11
	£ s d		Ground Rents	156,840 1 6
Annuities due, but unpaid, &c.	5,112 13 1		Reversions	164,056 16 8
Interest received, but not due	2,208 19 2		Life Interests	1,480 2 11
Due to Life Branch	2,054 11 1		British Government Securities	1,365 6 6
	£9,376 3 4		Colonial Government Securities	119,703 8 1
			Guaranteed Indian Railway Stock	51,821 0 0
			Foreign Government Securities	75,029 10 2
			Colonial Municipal Securities	72,479 14 2
			Foreign Municipal Securities	17,918 5 11
			Railway and other Debentures and Debenture Stocks	399,037 3 8
			Indian Railway Debenture Stock	13,470 0 0
			Railway and other Preference and Ordinary Stocks and Shares	259,857 13 0
			Foreign Railway Guaranteed Stocks and Shares	22,899 8 2
			Foreign Railway Bonds	398,019 3 3
			Outstanding Interest	62,511 17 10
			Outstanding Premiums	9 10 9
			Cash on Current Account at Home	1,047 10 2
		£3,092,262 18 4		£3,092,262 18 4

No. 7.—GENERAL BALANCE SHEET—31st December 1904.

Liabilities.	£ s d	£ s d	*Assets.*	£ s d
Capital—			British Government Securities	776,537 13 10
Subscribed—110,000 Shares of £25 each £2,750,000			Colonial Government Securities	104,428 12 2
			Guaranteed and other Indian Railway Stock	160,727 0 10
Called up—£6 5s. per Share		687,500 0 0	Foreign Government and State Securities	305,470 19 0
Profit and Loss		651,923 8 1	Colonial Municipal Securities	94,561 15 7
Dividends Unclaimed		4,974 16 10	Foreign Municipal Securities	303,442 13 4
Superannuation Fund		99,075 12 11	Railway and other Debentures and Debenture Stocks	105,598 9 4
Shareholders' Life and Annuity Profit Account		24,008 14 3	Railway and other Stocks and Shares	163,178 19 9
FIRE DEPARTMENT.	£ s d		Foreign Railway Bonds	672,848 3 9
Premium Reserve	775,334 10 5		Foreign Railway Preference and Ordinary Stocks and Shares	147,175 6 1
General Reserve	1,550,000 0 0		Feu Duties and Feuing Ground	8,523 12 3
	£2,325,334 10 5		Premises in Edinburgh, London, &c., partly occupied as Offices of Company, and partly let	650,810 4 0
Outstanding Liabilities	348,555 3 7		Salvage Corps Premises	12,828 8 4
		2,673,889 14 0	Bills Receivable	700 0 0
			Agents' Balances	350,661 2 1
Outstanding Losses	178,562 16 6		Outstanding Premiums	68,072 8 11
Bills Payable	14,756 11 1		Outstanding Interest	13,639 13 8
Re-Insurance Premiums	140,624 12 1		Cash in hand and on Current Account Abroad	144,889 10 1
Sundry Outstanding Balances	15,111 3 11		Cash on Deposit Abroad	33,937 10 0
	£348,555 3 7		Cash in hand and on Current Account at Home	23,099 9 11
			Due by Life Branch	240 13 2
		£4,141,372 6 1		£4,141,372 6 1
LIFE DEPARTMENT.			LIFE DEPARTMENT.	
Life Branch—	£ s d		Life Branch—	
Life Fund	10,389,645 12 0			
Outstanding Liabilities	195,179 13 5			
		10,584,825 5 5	Assets of Life Branch per separate Balance Sheet	10,584,825 5 5
Annuity Branch—			Annuity Branch—	
Annuity Fund	3,082,886 15 0			
Outstanding Liabilities	9,376 3 4			
		3,092,262 18 4	Assets of Annuity Branch per separate Balance Sheet	3,092,262 18 4
		£17,818,460 9 10		£17,818,460 9 10

EDINBURGH, *4th April* 1905.—I beg to report that I have from time to time in the course of the year audited the accounts of the Company, and that I have verified the whole Investments at 31st December 1904 with the documents of debt and other vouchers, and I certify that the preceding Accounts and Balance Sheets exhibit a true Statement of the Company's Affairs at 31st December 1904. JAMES HALDANE, *Auditor.*

EDINBURGH, *5th April*, 1905.—We beg to report that having examined the foregoing Revenue Accounts and Balance Sheets we concur in and approve of them.

JAMES ROMANES, } *Shareholders' Auditors.*
JOHN HARRISON, }

THE OCEAN ACCIDENT AND GUARANTEE CORPORATION, LIMITED.

(Empowered by Special Act of Parliament.)

Dr. REVENUE ACCOUNT for the year ending 31st December 1906. Cr.

Dr.			£ s d
To Balance of Revenue Account, 31st December 1905		£83,511 7 8	
Deduct Amount written off Furniture Account	£10,000 0 0		
Balance of dividend for the year 1905, and bonus, *less* tax	20,461 11 6		
		30,461 11 6	
			53,049 16 2
To Provision for liability on unexpired risks, brought forward from 31st December 1905			350,500 0 0
To Premiums, *less* Re-Insurances and Bonus to Assured ..			1,139,328 9 8
To Interest, Dividends and Rents, *less* provision for depreciation of Leaseholds			38,989 2 0
To Transfer Fees			67 11 6
			£1,581,934 19 4
To Balance brought down			554,814 1 7
			£554,814 1 7

Cr.		£ s d
By Compensation paid and incidental expenses	£530,330 3 3	
Deduct Provision for Claims outstanding, 31st December 1905 ..	400,000 0 0	
	130,330 3 3	
Add Provision for Claims outstanding, 31st December 1906 ..	448,000 0 0	
		578,330 3 3
By Printing and Stationery, Advertising, Postages, Travelling Expenses, &c.		68,232 0 1
By Expenses of Management, inclusive of Salaries, Rent at Head Office and Branches, Directors' Remuneration, and Auditors' Fee		178,925 12 3
By Commissions, including provision in respect of Agents' Balances..		197,897 15 3
By Depreciation of Furniture		3,735 6 11
By Balance carried down		554,814 1 7
		£1,581,934 19 4
By Provision for liability on unexpired risks		£382,000 0 0
By Balance carried to Balance Sheet		172,814 1 7
		£554,814 1 7

Dr. BALANCE SHEET, 31st December 1906. Cr.

Dr.			£ s d
To Shareholders' Capital:—			
AUTHORISED—			
200,000 Shares of £5 each			£1,000,000 0 0
SUBSCRIBED—			
12,000 Shares of £5 each (fully paid)		£60,000 0 0	
112,308 Shares of £5 each (£1 per Share paid)		561,540 0 0	
124,308		621,540 0 0	
Less Uncalled Capital ..		449,232 0 0	
			172,308 0 0
To Sundry Accounts pending			48,297 12 1
To Unclaimed Dividends			233 0 10
To Capital Redemption Fund			11,062 16 8
To General Insurance Fund, viz.:—			
Provision for claims outstanding		448,000 0	
Investment Reserve and General Contingency Account		101,000 0 0	
Provision for liability on unexpired risks		382,000 0 0	
		931,000 0 0	
To Reserve Fund		300,000 0 0	
To Balance from Revenue Account	£172,814 1 7		
Less Interim Dividend paid September 1906, *less* tax	12,276 18 11		
		160,537 2 8	
			1,391,537 2 8
			£1,623,438 12 3

Cr.	£ s d
By Investments as per Schedule, viz.:—	
British and Colonial Government and Provincial Securities..	182,207 4 7
Foreign Government Securities	88,366 1 10
State and Municipal Bonds	177,069 8 5
Indian Railway Stock	7,181 14 5
British and Colonial Railway Mortgage Bonds Preference and Ordinary Stocks	235,346 10 7
American Railway Mortgage Gold Bonds	365,132 18 1
Foreign Railway Guaranteed and Preference Stocks	101,658 5 5
Miscellaneous Debentures	10,755 11 0
By Mortgages on Freehold and Leasehold Properties and other Securities	83,465 10 0
By Freehold and Leasehold Premises (*less* Depreciation)	220,008 8 2
By Furniture at Head Office and Branches (*less* Depreciation)	9,493 9 4
By Rents due from Tenants and other Balances	15,265 15 7
By Balances at Branches and Agents' Balances (*less* provision for Commission, Cancelments and Non-Renewals)	81,927 15 11
By Cash at Bankers and in hand	34,497 2 3
By Investments and Cash in Trustees' Hands to meet Capital Redemption Fund	11,062 16 8
	£1,623,438 12 3

THOMAS HEWITT, *Chairman.*
RICHARD J. PAULL, *Secretary.*

In accordance with the provisions of the Companies Act, 1900, we certify that all our requirements as Auditors have been complied with, and we report to the Shareholders that we have Audited the above Balance Sheet and Revenue (Profit and Loss) Account with the Books and Accounts relating thereto in London, and with Returns received from the Foreign and Colonial Branches. Some of the Investments are deposited in connection with business abroad in accordance with Foreign or Colonial State Laws. In our opinion such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as shown by the books of the Company.

LONDON, *15th March 1907*

COOPER BROTHERS & CO., *Chartered Accountants*, } *Auditors.*

BONANZA, LIMITED.

Dr. BALANCE SHEET, 31st December 1903. *Cr.*

Liabilities.

			£ s d
To Capital Account—			
200,000 Shares of £1 each			200,000 0 0
" National Bank of South Africa, Ltd., Fordsburg—			
Overdraft		£2,686 4 6	
" Sundry Creditors—			
On account of Wages, Stores, &c.		6,840 13 6	
" Sundry Shareholders—			
Unclaimed Dividends, Nos. 1 to 9	£641 0 8		
Dividend No. 10 of 50 per cent... ..	100,000 0 0		
		100,641 0 8	
" Transvaal Government—			
Ten per cent. Profits Tax for year 1903 ..		14,887 6 0	
			125,055 4 8
" Balance—			
As per Profit and Loss Account			31,693 14 11
			£356,748 19 7

Assets.

			£ s d
By Claims—			
As per Balance Sheet, 31st December 1902			125,000 0 0
" Permanent Works, Shafts—			
As per Balance Sheet, 31st December 1902	£6,153 14 7		
Less amount redeemed	1,767 18 3		
		4,385 16 4	
" Development—			
As per Balance Sheet, 31st December 1902	27,428 5 6		
Expenditure during 1903	3,590 7 4		
	31,018 12 10		
Less amount redeemed	7,950 1 9		
		23,068 11 1	
" Machinery and Plant—			
As per Balance Sheet, 31st December 1902	45,854 0 0		
Expenditure during 1903	1,710 15 0		
	47,564 15 0		
Less Depreciation, 25 per cent.	11,891 15 0		
		35,673 0 0	
" Buildings—			
As per Balance Sheet, 31st December 1902	10,912 0 0		
Expenditure during 1903	5,825 19 3		
	16,737 19 3		
Less Depreciation, 25 per cent.	4,184 19 3		
		12,553 0 0	
			75,680 7 5
" Stores— On hand £4,851 12 7, In transit 36 6 11	4,887 19 6		
" Live Stock and Vehicles	387 12 2		
" Office Furniture.. ..	191 17 9		
		5,467 9 5	
" Cash on Call	133,586 7 9		
" Gold in Transit	13,175 12 6		
" Standard Bank, Ltd., London— Dividend Accounts ..	392 6 8		
" Standard Bank, Ltd., Johannesburg— Dividend Accounts ..	6 10 0		
" Standard Bank, Ltd., Johannesburg— Current Account ..	394 17 11		
" Cash at Mine	127 14 6		
		147,683 9 4	
" Sundry Debtors	685 3 5		
" Vierfontein Water Scheme	400 0 0		
" Witwatersrand Native Labour Association, Limited— Deposit and Shares Accounts	472 10 0		
" Co-operative Exchange Yard, Ltd.— Shares Account ..	1,360 0 0		
		2,917 13 5	
			156,068 12 2
			£356,748 19 7

NOTE: The Value of Gold seized by the Z.A.R. Government before the outbreak of war, viz., £17,280, is not included as an asset.

We hereby certify that we have examined and compared the Books and Vouchers of the Bonanza, Limited, and that this Balance Sheet is a true and correct statement of the Company's affairs as at 31st December 1903.

JNO. MOON,
A. E. PAGE, Incorporated Accountant, } *Auditors.*

JOHANNESBURG,
15th February 1904.

RAYMOND W. SCHUMACHER, *Chairman.*
W. H. DAWE, *Director.*
RICHARD E. GRIGGS, *Secretary.*

BONANZA, LIMITED—*continued.*

EXPENDITURE AND REVENUE, 1st January 1903 to 31st December 1903.

Dr. (On a basis of 97,180 tons milled.) *Cr.*

Expenditure.	£ s d	Cost £ s d	Cost per ton £ s d
To Mining		73,666 13 10	0 15 1·930
" Sorting, Crushing and Surface Tramming		6,738 18 3	0 1 4·643
" Milling		14,876 4 8	0 3 0·739
" Cyaniding Sands		14,352 13 1	0 2 11·446
" Cyaniding Slimes		5,975 7 1	0 1 2·757
" General Expenses—			
Head Office	1,002 6 3		
Head Transfer Office ..	386 18 4		
European Agencies ..	961 5 3		
Staff Bonus Account ..	880 0 0		
Directors and Auditors' Fees	1,357 10 0		
		4,587 19 10	0 0 11·331
		120,197 16 9	1 4 8·846
" Development Redemption ..		9,718 0 0	0 2 0·000
		129,915 16 9	1 6 8·846
" Balance, Profit— Carried to Profit and Loss Account		189,961 7 1	1 19 1·136
		£319,877 3 10	£3 5 9·982

Revenue.	Value £ s d	Value per ton £ s d
By Mill Gold— Realised and in transit ..	183,204 19 1	1 17 8·451
" Cyanide Gold— Realised and in transit ..	133,271 19 8	1 7 5·134
	316,476 18 9	3 5 1·585
" Sundry Revenue— Interest on Deposit Accounts, Rents, Brokerages, &c.	3,400 5 1	0 0 8·397
	£319,877 3 10	£3 5 9·982

PROFIT AND LOSS ACCOUNT for the Year ending 31st December 1903.

Dr. *Cr.*

	£ s d	£ s d
To Depreciation—		
Machinery and Plant ..	11,891 15 0	
Buildings	4,184 19 3	
		16,076 14 3
" Dividend Account—		
No. 9, of 10s. per share, declared 15th June 1903	100,000 0 0	
No. 10, of 10s. per share, declared 14th Dec. 1903	100,000 0 0	
		200,000 0 0
" Transvaal Government Ten per cent. Tax—		
Period 5th June 1902 to 31st December 1902 ..	11,477 4 0	
Year 1903	14,887 6 0	
		26,364 10 0
" Expenditure and Revenue: War Account—		
Bonus for Special Services		210 0 0
" Balance— Carried to Balance Sheet		31,693 14 11
		£274,344 19 2

	£ s d
By Balance— As per Balance Sheet, 31st December 1902	84,383 12 1
" Expenditure and Revenue—Balance of Account for 1903..	189,961 7 1
	£274,344 19 2

Examined and found correct.

JNO. MOON,
A. E. PAGE,
Incorporated Accountant, } *Auditors.*

JOHANNESBURG,
15th February 1904.

RAYMOND W. SCHUMACHER, *Chairman.*
W. H. DAWE, *Director.*
RICHARD E. GRIGGS, *Secretary.*

THE SONS OF GWALIA, LIMITED.

GENERAL MANAGERS' REPORT for Year ending 31st December 1905.

Development.

During the year under review, 6,535½ ft. of development work has been accomplished, as shown by the following summary:—

Sinking	104	ft.
Driving	2,682	,,
Cross-cutting	1,381½	,,
Rising	2,298	,,
Winzing	70	,,
Total	6,535½	,,

It should be borne in mind that the ore occurs in this Mine in the shape of overlapping lenses, the aggregate of which composes the so-called ore-chute. Development work becomes a search for these lenses, and necessitates a very large amount of cross-cutting and parallel driving.

The result of this development work has been as follows:—

No. 1 Level.

The West Cross-cut 40 ft. North was extended 34 ft. during the year, making a total distance cross-cut 42 ft. Stringers assaying from a trace of gold to 12s. 9d. per ton were cut.

No. 3 Level.

The South Drive off West Cross-cut 70 ft. North was advanced during the year 29½ ft. to a total distance of 50 ft. Traces of gold only were met with.

Dr. PROFIT AND LOSS ACCOUNT, for the Year ended 31st December 1905. *Cr.*

	£	s	d	£	s	d
To Expenditure in Western Australia—						
Development of 121,443 tons of Ore	33,264	0	5			
Mining	57,002	8	6			
Ore Treatment	36,401	11	1			
Maintenance and Miscellaneous Charges	11,860	8	2			
Refining and Escort Expenses on Bullion	2,207	10	0			
Slags to Smelters	22	16	0			
	140,758	14	2			
Less Rebate on Stores	2,380	18	0			
				138,377	16	2
" General Expenses, London—						
Directors' Fees	1,000	0	0			
Salaries and Office Rent	955	10	0			
Cables	13	19	0			
Stationery	276	9	9			
Legal and Professional Charges	186	4	11			
Postage and Miscellaneous Charges	409	1	7			
				2,841	5	3
" Advertising				384	4	4
" Xmas Bonus to Employees				300	0	0
" Balance carried down				129,812	15	5
				£271,716	1	2

	Ozs.	dwts.	grs.	£	s	d	£	s	d
By Gold Account—									
Realised	57,192	9	10	242,659	9	7			
In Transit	6,316	9	11	26,898	10	11			
Slags	192	19	1	818	2	5			
	63,701	17	22				270,376	2	11
" Sundry Receipts							240	19	11
" Interest							843	8	4
" Transfer Fees							255	10	0
							£271,716	1	2

	£	s	d	£	s	d
To Income Tax				4,315	10	6
" Colonial Tax				4,875	0	0
" Depreciation—						
Machinery and Plant	12,601	9	4			
Buildings	1,778	10	0			
Horses, Vehicles and Harness	149	1	9			
Implements and Tools	318	12	1			
Furniture at Mine	166	9	0			
				15,014	2	2
" Balance carried to Appropriation Account				105,608	2	9
				£129,812	15	5

	£	s	d
By Balance, brought down	129,812	15	5
	£129,812	15	5

THE SONS OF GWALIA, LIMITED—*continued.*

APPROPRIATION ACCOUNT.

Dr. | *Cr.*

Dr.	£ s d	£ s d	Cr.	£ s d	£ s d
To Dividends Paid—			By Balance at 31st December 1904	1,136 16 2	
15th April; 1s. 6d. per Share	24,375 0 0		*Less* Bonus voted to Directors ..	1,000 0 0	
22nd July; 1s. 6d. per Share	24,375 0 0				136 16 2
26th October; 1s. 6d. per Share ..	24,375 0 0		" Profit and Loss Account—		
" Dividend declared 18th December 1905, payable 26th January 1906; 1s. 6d. per Share	24,375 0 0		Balance, as per Account		105,608 2 9
		97,500 0 0			
" Balance, as per Balance Sheet		8,244 18 11			
		£105,744 18 11			£105,744 18 11

BALANCE SHEET, 31st December 1905.

Dr. | *Cr.*

Dr.	£ s d	£ s d
To Share Capital—		
Authorised—		
350,000 Shares of £1 each ..	350,000 0 0	
Issued—		
325,000 Shares, fully paid ..		325,000 0 0
" Sundry Creditors, including provision for accrued charges—		
London	4,532 10 4	
Do. Unclaimed Dividends ..	251 9 0	
Western Australia	2,861 12 7	
		7,645 11 11
" Dividend declared 18th December 1905, payable 26th January 1906		24,375 0 0
" Reserve Fund		10,000 0 0
" Appropriation Account—		
Balance as per Account		8,244 18 11
		£375,265 10 10

Cr.	£ s d	£ s d
By Property Account, as at 31st December 1904		221,149 4 1
" Machinery and Plant, including Mill Construction and Tramway as at 31st December 1904	29,286 6 4	
Add Additions to date	12,601 9 4	
	41,887 15 8	
Less Depreciation	12,601 9 4	
		29,286 6 4
" Buildings, as at 31st December 1904 ..	1,690 4 5	
Add Additions to Date	417 15 1	
	2,107 19 6	
Less Depreciation	1,778 10 0	
		329 9 6
" Mine Development		33,460 8 6
" Main Shaft Account		2,691 7 11
" Horses, Vehicles and Harness	496 19 4	
Less Depreciation	149 1 9	
		347 17 7
" Implements and Tools	1,062 0 5	
Less Depreciation	318 12 1	
		743 8 4
" Furniture at Mine	554 16 6	
Less Depreciation	166 9 0	
		388 7 6
" Stock of Stores on hand		10,391 17 1
" Stores in Transit		104 2 3
" Sundry Debtors—		
London	2,269 4 9	
Western Australia	250 5 9	
		2,519 10 6
" Insurance, &c., paid in advance ..		644 12 3
" Gold in Transit—6,316 ozs. 9 dwts. 11 grs.	26,898 10 11	
Less Expenses	316 2 1	
		26,582 8 10
" Cash at Bank and in hand—		
London	2,921 1 10	
" On Deposit	40,000 0 0	
" Unclaimed Dividends ..	213 12 0	
Western Australia	3,491 16 4	
		46,626 10 2
		£375,265 10 10

C. WANKLYN, } *Directors.*
JOHN BARRY, }

E. PEARS, *Secretary.*

To the Shareholders of THE SONS OF GWALIA, LIMITED.

In accordance with the provisions of the Companies Act, 1900, we certify that all our requirements as Auditors have been complied with. We report that we have audited the London Books of the Company, and have checked the incorporation of the Colonial Accounts therein, for the year ended 31st December 1905, and, in our opinion, the above Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as shown by the Books.

MONKHOUSE, STONEHAM & CO.,
Chartered Accountants.

LONDON, E.C., 11*th April* 1906.

LONDON GENERAL OMNIBUS COMPANY, LIMITED.

BALANCE SHEET, made up to December 31st 1901.

Dr.

Half-year ending Dec. 31st 1900 £ s d		£ s d	£ s d
	1. Capital.		
	Capital .. £1,000,000 0 0		
773,592 0 0	Stock Issued	..	773,592 0 0
45,149 8 10	Premiums	45,149 8 10	
″ ″ ″	From Reserve Fund	100,000 0 0	
			145,149 8 10
	2. Debts and Liabilities.		
300,000 0 0	4% Mortgage Debentures	..	300,000 0 0
″ ″ ″	Loan from Parr's Bank, Limited	40,000 0 0	
79,699 3 0	Sundry Creditors	57,669 7 3	
812 18 8	Law Expenses and Compensation	1,039 13 4	
2,850 0 0	Debenture Interest, No. 15 Coupon	2,825 0 0	
3,102 4 9	Unclaimed Dividends	2,315 3 10	
160 0 3	Do. Debenture Interest	116 15 3	
86,624 6 8			103,965 19 8
	3. Reserves.		
210,000 0 0	General Fund	85,000 0 0	
10,000 0 0	Horse Stock Reserve Fund	10,000 0 0	
220,000 0 0			95,000 0 0
	4. Profit and Loss.		
45,960 9 1	Balance of Account	..	26,566 17 6
£1,471,326 4 7	Amount carried forward	..	£1,444,274 6 0

Cr.

Half-year ending Dec. 31st 1900 £ s d		£ s d	£ s d	£ s d
	5. Property held by the Company.			
48,582 7 8	Freehold Land ..£48,532 7 8			
	Do. Buildings 228,843 19 5			
216,611 17 6		277,376 7 1		
342,655 16 1	Leaseholds	388,683 19 6		
			666,060 6 7	
607,850 1 3				
	STOCK-IN-TRADE—			
477,783 3 4	Omnibuses, Horses, Harness and Yard Stock ..	482,550 14 1		
561 11 7	Office Furniture and Fixtures ..	576 6 11		
			483,127 1 0	
478,344 14 11				
			1,149,187 7 7	
1,086,194 16 2				
	REVENUE DEPARTMENTS—			
67,546 14 3	Plant and Stores, as per Valuations	69,447 18 6		
9,520 0 0	Horses in Training at Special Depôts	8,995 0 0		
21,797 2 9	Provender at Depôts and Granaries	20,929 5 9		
98,863 17 0		99,372 4 3		
528 0 0	Unexpired Value of Police Licences	470 0 0		
99,391 17 0			99,842 4 3	
				1,249,029 11 10
1,185,586 13 2				
	6. Good Debts owing to the Company.			
2,281 1 8	Interest and Dividends		1,655 7 6	
900 0 0	Deposits in Cash	800 0 0		
727 5 6	and Consols ..	727 5 6		
	against Contract Liabilities		1,527 5 6	
12,992 11 2	Sundry Trade Debtors for Manure, Rent, Carcases, Advertising and Stores for which no security is held		10,766 16 9	
				13,949 9 9
16,800 18 4				
	7. Cash and Investments.			
	CASH—Parr's Bank, Limited—			
8,495 18 5	Current Account ..£6,856 5 4			
2,311 2 7	District Offices .. 2,246 19 7			
		9,103 4 11		
74 10 5	Head Office ..	96 10 11		
24 16 8	Paris Office ..	25 3 4		
			9,224 19 2	
10,906 8 1				
	INVESTMENTS— £ s d			
110,167 5 0	80,000 0 0 Consolidated 2¾ % Consols	80,122 1 1		
55,916 15 10	50,000 0 0 India 3½ % Stock	″ ″ ″		
1,738 4 9	1,000 0 0 East India Railway 4½ % Debenture Stock	1,738 4 9		
22,153 2 2	12,000 0 0 L. B. & S. C. Railway 5 % Preference Stock ..	22,153 2 2		
14,144 14 7	10,000 0 0 L. & N. W. Railway 4 % Preference Stock	14,144 14 7		
£204,120 2 4	Amount carried forward ..	118,158 2 7	9,224 19 2	£1,262,979 1 7

LONDON GENERAL OMNIBUS COMPANY, LIMITED—*continued.*

BALANCE SHEET, made up to December 31st 1901 (*continued*).

Dr.

Half-year ending Dec. 31st 1900 £ s d		£ s d	£ s d
1,471,326 4 7	Amount brought forward		1,444,274 6 0
£1,471,326 4 7			£1,444,274 6 0
	Contingent Liability.		
£5,000 0 0	Leases Indemnity Fund		£5,000 0 0

Cr.

Half-year ending Dec. 31st 1900 £ s d		£ s d	£ s d	£ s d
204,120 2 4	Amount brought forward ..	118,158 2 7	9,224 19 2	1,262,979 1 7
	INVESTMENTS—			
6,428 2 6	4,000 0 0 Metropolitan Railway 4% Debenture Stock ..	6,428 2 6		
31,593 8 1	34,000 0 0 Midland Railway 2½ % Preference Stock	31,563 8 1		
10,890 12 1	6,200 0 0 South Eastern Railway 5% Debenture Stock ..	10,890 12 1		
253,032 5 0		167,070 5 3		
5,000 0 0	5,333 6 8 Leases Indemnity Fund 2¾% Consols	5,000 0 0		
258,032 5 0			172,070 5 3	
268,938 13 1				181,295 4 5
£1,471,326 4 7				£1,444,274 6 0

Examined and found correct. FREDK HORNCASTLE, RICHARD SEDGWICK, } *Auditors.*

REVENUE ACCOUNT, from July 1st to December 31st 1901.

Dr.

Half-year ending Dec. 31st 1900 £ s d		£ s d	£ s d	£ s d
	1. To General Expenses of Administration.			
	General Law Charges, Travelling, Valuations, and administration			
3,072 2 7	generally	1,914 2 0		
2,500 0 0	Directors' Fees	2,000 0 0		
			3,914 2 0	
871 9 3	Allowance to Wives and Children of Reservists	..	476 10 10	
552 1 4	Printing, Stationery, and Advertising	..	586 7 3	
9,716 7 2	Rent	10,661 19 2		
2,964 10 11	" Leases Renewal	3,142 9 10		
			13,804 9 0	
5,982 13 5	Rates and Taxes	..	6,004 1 9	
255 13 3	Insurance	..	319 9 5	
	Office Expenses—			
3,488 6 2	Staff	3,490 15 8		
93 7 11	Gas and Water	83 0 6		
280 3 2	Sundry, including Postage, Cleaning, and Messengers' Wages..	283 6 1		
			3,857 2 3	
				28,962 2 6
29,776 15 2				
£29,776 15 2	Amount carried forward		..	£28,962 2 6

Cr.

Half-year ending Dec. 31st 1900 £ s d		£ s d	£ s d
	1. By Traffic—		
598,361 3 11	Ordinary	584,480 17 6	
15 7 3	Private Hire	16 3 0	
598,376 11 2			584,497 0 6
273 12 11	**2. By Sales of Manure**		328 10 8
18,006 17 8	**3. By Advertising in Omnibuses**		18,629 18 4
£616,657 1 9	Amount carried forward		£603,455 9 6

LONDON GENERAL OMNIBUS COMPANY, LIMITED—*continued.*

Dr. REVENUE ACCOUNT, from July 1st to December 31st 1901 (*continued*). *Cr.*

Half-year ending Dec. 31st 1900. £ s d			£ s d	£ s d	£ s d
29,776 15 2	Amount brought forward				28,962 2 6
	2. To Traffic Expenses.				
	ROAD—				
591 10 0	Excise Licences		588 15 9		
1,531 0 0	Police Licences		1,546 0 0		
165,447 8 0	Drivers' and Conductors' Wages		168,051 4 2		
6,736 8 9	Superintendence ..	£6,533 10 3			
6,363 2 2	Ticket Service ..	6,136 4 8			
			12,669 14 11		
3,609 16 3	Lighting Omnibuses		3,631 17 8		
1,974 16 6	Compensation		3,813 12 6		
1,449 14 11	Sundry Expenses		1,841 5 11		
187,703 16 7				192,142 10 11	
	YARD—				
54,376 0 11	Horsekeepers' Wages ..	£54,746 10 2			
905 4 10	Night Service ..	906 16 8			
			55,653 6 10		
7,233 7 1	Washing Omnibuses		7,283 17 7		
1,895 15 6	Superintendence		1,877 5 4		
2,948 6 8	Gas and Water		2,732 14 2		
2,394 15 6	Sundry, including Disinfectants and Cleaning		2,373 12 6		
69,753 10 6				69,920 16 5	
					262,063 7 4
	3. To Maintenance Expenses:				
42,907 10 0	HORSE STOCK		45,588 2 4		
189,802 7 10	Provender, including Cost of Preparation, Cartage, Lighterage, and Depôt Expenses	201,925 18 4			
6,770 15 3	Bedding	7,073 11 1			
196,573 3 1			208,999 9 5		
13,420 17 1	Shoeing		13,820 9 4		
2,065 8 0	Veterinary Service..		1,931 2 6		
254,966 18 2				270,339 3 7	
	GENERAL—				
39,659 8 3	Omnibuses, Harness and Yard Stock		36,176 17 3		
742 7 7	Furniture and Fixtures		862 15 3		
5,312 2 3	Stables, Offices, and Tenements		2,846 3 6		
45,713 18 1				39,885 16 0	
300,680 16 3					310,224 19 7
587,914 18 6	Total Expenses				601,250 9 5
28,742 3 3	To Balance, profit for the half-year				2,205 0 1
£616,657 1 9					£603,455 9 6

Half-year ending Dec. 31st 1900. £ s d		£ s d
616,657 1 9	Amount brought forward	603,455 9 6
£616,657 1 9		£603,455 9 6

LONDON GENERAL OMNIBUS COMPANY, LIMITED—*continued.*

PROFIT AND LOSS ACCOUNT.

£ s d		£ s d	£ s d		£ s d
5,700 0 0	To Debenture Interest	5,560 0 0	12,993 14 10	By Balance from Old Account	3,376 0 7
45,960 9 1	" Balance carried to Balance Sheet	26,566 17 6	28,742 3 3	" " " above Account	2,205 0 1
			9,924 11 0	" Interest and Dividends, less loss upon Sale of India 3½% Stock	6,635 16 10
			..	" General Reserve Fund	20,000 0 0
£51,660 9 1		£32,216 17 6	£51,660 1 1		£32,216 17 6

Examined and found correct FREDK HORNCASTLE, RICHARD SEDGWICK, } *Auditors.*

AUDITORS' REPORT.

LONDON, 6 FINSBURY SQUARE.

5th February 1902.

TO THE PROPRIETORS OF THE LONDON GENERAL OMNIBUS COMPANY, LIMITED.

In accordance with the Companies Act, 1900, we certify that all our requirements as Auditors have been complied with.

We have examined the accompanying Balance Sheet and Statements of Accounts, and certify that in our opinion they are properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as shown by the Books.

All receipts of moneys have been traced into the Bankers, and the vouchers for payment have been produced to us.

The 2¾% Consols are in possession of the Company, and the other investments detailed in the Balance Sheet are lodged with Parr's Bank, Limited, as security for advances; the Cash and Bankers' balances have been verified.

We are,

Yours faithfully.

FREDK. HORNCASTLE,
RICHARD SEDGWICK, } *Auditors.*

MILLARS' KARRI AND JARRAH COMPANY (1902), LIMITED.

Dr. BALANCE SHEET, 31st December 1905. *Cr.*

	£	s	d	£	s	d
To Nominal Capital	1,400,000	0	0			
In Shares of £1 each, of which there have been issued to 31st December 1905—						
529,297 6% Cumulative Preference Shares.. ..	529,297	0	0			
714,300 Ordinary Shares ..	714,300	0	0			
1,243,597				1,243,597	0	0
" Debenture Stock	454,736	0	0			
Less Stock cancelled	45,754	0	0			
	408,982	0	0			
" Interest Accrued	8,741	19	10			
				417,723	19	10
" Property Reserve Account—Balance after writing off Amalgamation and Preliminary Expenses				1,524	14	11
" Depreciation Reserve Account				105,000	0	0
" Loans, &c.				69,192	13	9
" Bills Payable				148,978	15	1
" Sundry Creditors				82,979	11	5
" Preference Dividend for the half-year ended 31st December 1904 (since paid)..				15,084	19	3
" Profit and Loss Account ..				71,840	13	11
				£2,155,922	8	2

Contingent Liability on Bills Discounted .. £10,806 0 0

	£	s	d	£	s	d
By Purchase Account—						
As at 31st December 1904	1,313,117	15	1			
Add Net Expenditure on Properties to date	11,539	11	8			
				1,324,657	6	9
" Purfleet Wharf and Saw Mills, Ltd., 100,000 Shares of £1 each ..				100,000	0	0
" Stock of Hardwood, including Cargoes afloat .. .. .. (Part of this Stock in Western Australia has been charged by a Debenture given as security for a loan. Shipping documents and warrants for a further part have been deposited by way of collateral security for Bills Payable.)				406,717	19	1
" Stock of Softwood, Building Materials, Mill Stores, &c., in hand and in transit				98,242	5	0
" Insurances paid in Advance ..				6,179	19	11
" Deposits made on Tenders, &c...				7,187	12	5
" Sundry Debtors				142,591	10	3
" Agencies Account				2,831	2	7
" Bills Receivable				11,162	19	8
" Discount and Expenses upon Issue of Debenture Stock, *less* Profit on Stock purchased and cancelled				1,852	18	8
" Debenture Stock Purchase Account				1,924	6	8
" Cash in London and with Bankers and Agents Abroad				52,574	7	2
				£2,155,922	8	2

PROFIT AND LOSS ACCOUNT for the Year ended 31st December 1905.

	£	s	d	£	s	d
To London Administration Expenses—						
Office Rents, Rates and Repairs ..	448	6	6			
Salaries	2,207	14	0			
Cablegrams	469	0	4			
Law Costs and Accountants' Charges	616	15	9			
Printing and Stationery	174	18	0			
Directors' Fees	2,750	0	0			
Debenture Trustees' Fees	300	0	0			
General Expenses	312	16	6			
				7,279	11	1
" Income Tax (Reserve)				1,750	0	0
" Balance carried down				99,744	8	4
				£108,773	19	5

	£	s	d
By Trading Account (after allowing for all Colonial and Foreign Charges, apportionment of London Expenses, and Managing Directors' Commission) ..	108,641	16	4
" Transfer Fees, &c...	132	3	1
	£108,773	19	5

	£	s	d	£	s	d
To Debenture Stock Interest.. ..	18,764	2	11			
" Amount payable in lieu of Interest on Debenture Stock cancelled	893	1	11			
				19,657	4	10
" Amount carried to Depreciation Reserve Account				35,000	0	0
" Balance as per Balance Sheet.. ..				71,840	13	11
				£126,497	18	9

	£	s	d	£	s	d
By Balance brought down				99,744	8	4
" Balance from 31st December 1904, as per last account	58,511	6	10			
Less Preference Dividend for 1904	31,757	16	5			
				26,753	10	
				£126,497	18	

72 Bishopsgate Street Within,
London E.C.,
23rd July 1906.

By Order of the Board,
J. WHITE, *Chairman.*
JOSEPH TEMPERLEY, *Director.*
ROBT. L. ALLEN, *Secretary.*

To the Shareholders of Millars' Karri & Jarrah Company (1902), Limited.

In accordance with the provisions of the Companies Act, 1900, we certify that all our requirements as Auditors have been complied with, and we report that we have examined the above Balance Sheet with the Accounts and Vouchers relating thereto, and in our opinion it is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as shown by the Books of the Company in London, in which have been incorporated the Accounts from Western Australia, audited there by Ford, Rhodes, Ford & Co., and other Accounts received from the Company's Agents and Officers abroad. The Stocks have been taken, and their correctness and value certified, by the Company's Officials. In accordance with the Company's Articles of Association the Reserve for Depreciation has been fixed by the Board.

1 Cannon Street,
London, E.C.
23rd July 1906.

FORD, RHODES & FORD,
Chartered Accountants.

IND, COOPE & COMPANY, LIMITED, ROMFORD AND BURTON-ON-TRENT.

BALANCE SHEET, 7th October 1905.

Dr.

	£	s	d
To Capital—			
Authorised—			
"A" 6 per cent. Cumulative Preference Shares ..	500,000	0	0
"B" 4½ do. do. ..	750,000	0	0
Ordinary Shares	560,000	0	0
	£1,810,000	0	0
Issued—"A" 6 per cent. Cumulative Preference Shares, £500,000; "B" 4½ per cent. Cumulative Preference Shares, £500,000; Ordinary Shares, £448,000	1,448,000	0	0
"A" 4½ per cent. Mortgage Debenture Stock ..	750,000	0	0
"B" 4 do. do. ..	500,000	0	0
Irredeemable 4½ do. do. ..	1,000,000	0	0
Interest accrued—"A" 4½ per cent. Mortgage Debenture Stock, £8,015 12s. 6d.; Irredeemable 4½ per cent. Mortgage Debenture Stock, £10,687 10s.	18,703	2	6
Depositors	243,151	14	1
Loans from Bankers (Secured)	122,578	14	10
Sundry Creditors	295,540	8	5
NOTE.—Liability on Guarantees against Direct or collateral Securities and on Bills Receivable under discount, £170,162 0s. 2d.			
	£4,377,973	19	10

Cr.

	£	s	d
By Brewery Buildings, Freeholds, Leaseholds, Copyholds, Plant, and Utensils, &c., less Mortgages ..	2,929,334	11	11
Loans and Interest, Customers' Balances, Rents, &c., £615,142 6s. 2d.; Less Reserved against contingent losses £46,725, Provision for Discounts, &c. £42,753 4s. 4d.—£89,478 4s. 4d.	525,664	1	10
Irredeemable Mortgage Debenture Stock Trustees—Investments held by them, £139,981 11s.; Less Reserved against Depreciation, £12,750	127,231	11	0
Sundry Investments, £39,360 10s. 8d.; Less Reserved against Depreciation, £6,500	32,860	10	8
Trade Investments at Cost	38,470	18	8
Cash in hands of Trustees for Debenture Stockholders	9,815	3	6
Cash Debtors..	5,000	0	0
Cash at Bankers and in hand	28,743	6	1
Stock of Ale, Barley, Malt, Hops, Wines and Spirits, Casks, Horses, and Sundries	405,366	14	3
Suspense Account	272,249	0	6
Profit and Loss Account—Balance brought from last year's Accounts, *Cr.*£633 8s. 6d.; *Add* Balance as per Account ending 7th October 1905, without making any provision for Depreciation and items debited to Suspense Account, *Cr.*£3,628 10s. 1d.—*Cr.*£4,261 18s. 7d.; *Deduct* Dividend paid on "A" Preference Shares for quarter ending 5th January 1905, *Dr.*£7,500	3,238	1	5
	£4,377,973	19	10

PROFIT AND LOSS ACCOUNT, from 9th October 1904 to 7th October 1905.

	£	s	d
To Trade, Office and General Expenses (including Depôt and Export and Military Expenses).. ..	108,942	16	3
Carriage, Cartage, &c.	77,223	9	4
Cooperage	13,757	3	7
Rates, Taxes, and Insurance	18,150	13	8
Salaries and Wages of Staff (including Managing Directors' Salaries)	60,851	1	5
Repairs and Maintenance of Brewery Premises and Freeholds and Leaseholds	10,266	12	10
Bad Debts	7,128	19	9
Pensions	7,946	3	10
Loss on Houses under management	10,954	19	6
Directors', Trustees', and Auditors' Fees	4,022	10	0
Balance carried down	155,821	12	1
	£475,066	2	3

	£	s	d
By Gross Profit on Brewing	397,574	18	5
Net Profit on Wines and Spirits, Distillery, Bottling, and Sundries	25,663	11	3
Interest on Loans	8,164	12	3
Sundry Interest and Dividends on Investments ..	8,477	6	2
Rents Receivable (less Rents Payable)..	35,080	19	8
Transfer Fees..	104	14	6
	£475,066	2	3

	£	s	d
To Interest on Deposits, Mortgages, &c.	53,443	2	0
Interest on "A" Debenture Stock at 4½ per cent. ..	33,750	0	0
Interest on "B" Debenture Stock at 4 per cent. ..	20,000	0	0
Interest on Irredeemable Mortgage Debenture Stock at 4½ per cent.	45,000	0	0
Balance, profit carried to Balance Sheet without making any provision for depreciation of Brewery Premises, Leaseholds, Plant, Casks, &c., and items debited to Suspense Account in Balance Sheet..	3,628	10	1
	£155,821	12	1

	£	s	d
By Balance brought down	155,821	12	1
	£155,821	12	1

E. MURRAY IND, *Chairman*. C. E. SHEFFIELD, *Secretary*.

In accordance with the provision of the Companies Act, 1900, we certify that all our requirements as Auditors have been complied with, and we have made a report on the Accounts in conformity with the said Act.

1 QUEEN VICTORIA STREET, LONDON E.C.
26th February 1906.

CHATTERIS, NICHOLS & CO., Chartered Accountants, *Auditors*.

CHATTERLEY-WHITFIELD COLLIERIES, LIMITED.

BALANCE SHEET, 31st December 1900.

Capital and Liabilities.

		£ s d	£ s d
NOMINAL CAPITAL—			
20,000 6 per cent. Cumulative Preference Shares of £10 each		200,000 0 0	
20,000 Ordinary Shares of £10 each ..		200,000 0 0	
		£400,000 0 0	
SUBSCRIBED AND PAID-UP CAPITAL—			
20,000 6 per cent. Cumulative Preference Shares, fully paid		200,000 0 0	
20,000 Ordinary Shares, £7½ per Share paid		150,000 0 0	350,000 0 0
Five per cent. First Mortgage Debentures	£200,000 0 0		
Interest thereon (paid 1st January 1901)	4,750 0 0	204,750 0 0	
Six per cent. Second Mortgage Debentures		20,000 0 0	224,750 0 0
(*Note.*—£1 5s. od. per Share of the Uncalled Capital has been hypothecated to the Bankers as security up to £20,000, with Interest thereon, if required.)			
Sundry Creditors for Materials, Royalties, Workpeople's Wages, &c.			26,444 13 5
Instalment due in respect of Wagons Purchased on "Deferred Payments" ..			184 7 6
Profits on Investments realised, per the Trustees for the Debenture-holders ..			143 7 9
PROFIT AND LOSS ACCOUNT—			
Balance at 31st December 1899 .. .. £27,704 18 7			
Less Dividend on Preference Shares for the year 1899, and arrears	26,000 0 0	1,704	
Add Profit for the year ended 31st December 1900 ..	95,346 8 1		
Deduct Interest on Debentures and Loans .. £11,347 18 11			
Depreciation per Contra .. 5,000 0 0	16,347 18 11		
Net Profit for the year		78,998 9 2	
		80,703 7 9	
Less Interim Dividend on Preference Shares at 3 per cent., and on Ordinary Shares at 4s. 6d. per share		10,500 0 0	
Balance available			70,203 7 9
			£671,725 16 5

Property and other Assets, &c.

		£ s d	£ s d
Freehold Lands and Minerals, Leasehold Mines, Plant, Machinery, Railways, &c., as at 31st December 1899		497,991 13 4	
Add Outlay on Capital Account during the year		346 7 5	
		498,338 0 9	
Deduct Sales of Materials ..	£458 7 8		
Net Proceeds of Sales of Land and Royalty in respect of Coal from the Company's Freehold for the year ..	855 11 7		
Amount written off in respect of Depreciation for the year	5,000 0 0	6,313 19 3	492,024 1 6
Railway Wagons and Proportion of Instalments to date on Wagons purchased on "Deferred Payments"			38,973 16 8
Stock of Coal, Iron, Stores, &c.			18,015 17 8
Sundry Debtors for Coal, Iron, &c. ..			48,880 0 3
Sundry Investments in the names of the Trustees for the Debenture-holders, cost			10,033 3 10
Minimum Value of estimated Interest in North Stafford Employers' Insurance Limited Reserve Fund—and Investment in the Company's name			849 10 8
Cash at Bankers and at short notice ..			38,632 2 7
			647,408 13 2
Special Outlay Account			12,894 9 11
Overpaid Royalties			11,422 13 4
			£671,725 16 5

In accordance with the provisions of the Companies Act, 1900, we certify that all our requirements as Auditors have been complied with, and we report to the Shareholders that we have examined the Books, Accounts, Vouchers and Securities of the Company for the year ended 31st December 1900, and certify to the correctness of the same. Subject to the Stock-in-Trade being of the value above stated, and to the provision for depreciation being adequate, we are of opinion that the foregoing Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as shown by the books of the Company.

MANCHESTER, *13th March* 1901.

ASHWORTH, MOSLEY & Co., *Chartered Accountants*, } *Auditors.*

THE LAGUNAS SYNDICATE, LIMITED.

Dr. BALANCE SHEET, 30th June 1905. *Cr.*

Liabilities.	£	s	d	£	s	d	£	s	d
To SHARE CAPITAL— 220,000 fully-paid Shares of £5 each							1,100,000	0	0
" DEBENTURE CAPITAL— 150 Bonds of £100 each at 5 per cent.							15,000	0	0
" RESERVE							55,000	0	0
" BILLS PAYABLE							63,242	6	8
" SUNDRY CREDITORS							18,671	6	6
" DEBENTURE BONDS DRAWN FOR PAYMENT							420	0	0
" UNCLAIMED DIVIDENDS AND DEBENTURE INTEREST							439	4	8
" DEBENTURE INTEREST— 3 Months accrued to 30th June 1905..							187	10	0
" NITRATE FIRE INSURANCE FUND ..							5,000	0	0
" BALANCE PROFIT AND LOSS— As per last Account				58,099	11	6			
Less Dividend, 5/- per Share (free of Income Tax), paid November 23rd 1904				55,000	0	0			
				3,099	11	6			
Profit this year				98,765	11	4			
				101,865	2	10			
Less Interim Dividend, 3/- per Share (free of Income Tax), paid April 20th 1905				33,000	0	0			
				68,865	2	10			
Deduct Sinking Fund for Debentures redeemed September 1904, and March 1905 ..	£15,000	0	0						
Special transfer to Reserve on account of Purchase of New Grounds	17,000	0	0						
				32,000	0	0			
							36,865	2	10
							£1,294,825	10	8

Assets.	£	s	d	£	s	d
By WORKS AND PROPERTIES—Including Nitrate Beds, Water Works, Engines, Boilers, Machinery and Plant for Nitrate Works and Iodine Factories, Fondas, Bodegas, &c., at two Oficinas	1,245,460	7	6			
Less Sinking Fund for Debentures Redeemed	135,000	0	0			
				1,110,460	7	6
" Animals, Carts, Harness, Tools, House and Office Furniture and Oil Engines				7,291	9	6
" STORES AND PULPERIA				19,063	14	9
" NITRATE AND IODINE STOCKS (at cost)				13,918	5	0
" NITRATE (sold but not delivered) ..				49,747	11	1
" SUNDRY DEBTORS				20,143	1	4
" BILLS RECEIVABLE IN HAND, LODGED WITH THE BANK AGAINST DRAFTS, AND IN TRANSIT				63,814	16	1
" CASH BALANCES IN LONDON AND CHILI				10,385	5	5
				£1,294,825	10	8

PROFIT AND LOSS ACCOUNT for 12 Months ended 30th June 1905.

	£	s	d	£	s	d
To LONDON EXPENSES—						
General Charges	630	7	0			
Cablegrams	116	2	0			
Legal Expenses	6	16	6			
Rent and Salaries	1,110	0	0			
Directors' Fees	1,500	0	0			
Trustees' Fees..	100	0	0			
Auditors' Fees..	78	15	0			
				3,542	0	6
" INCOME TAX				5,172	4	3
" PREMIUM ON DRAWN BONDS				750	0	0
" DEBENTURE INTEREST..				1,125	0	0
" RESERVE				3,000	0	0
" DIFFERENCE IN EXCHANGE				3,112	17	4
" BALANCE carried to Balance Sheet				98,765	11	4
				£115,467	13	5

	£	s	d
By TRADING PROFIT	114,541	14	1
" TRANSFER FEES..	128	17	6
" INTEREST AND DISCOUNT	797	1	10
	£115,467	13	5

In accordance with the provisions of the Companies Act, 1900, we certify that all our requirements as Auditors have been complied with. We report to the Shareholders that we have examined the above Balance Sheet with the Books and Vouchers in London and with the Statements received from Chili, and that, subject to any further provision that may be necessary for depreciation of the Works and Properties, it is, in our opinion, properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as shown by such Books and Statements.

PRICE, WATERHOUSE & CO.,
Auditors.

3 FREDERICK'S PLACE, OLD JEWRY, LONDON, E.C.
8th November 1905.

MEASURES BROTHERS, LIMITED.

Dr. BALANCE SHEET, 31st December 1903. *Cr.*

Liabilities.		£ s d	£ s d
To Nominal Capital—			
75,000 5½ per cent. Cumulative Preference Shares of £1 each		75,000 0 0	
240,000 Ordinary Shares of £1 each ..		240,000 0 0	
		315,000 0 0	
„ Issued Capital—			
75,000 5½ per cent. Cumulative Preference Shares of £1 each		75,000 0 0	
235,507 Ordinary Shares of £1 each ..		235,507 0 0	310,507 0 0
„ 4½ per cent. 1st Mortgage Debenture Stock			75,000 0 0
„ Sundry Creditors—			
On Open Accounts, *less* Discount reserved		21,726 12 4	
Debenture Interest accrued due, *less* Tax		805 1 7	22,531 13 11
„ Unclaimed Dividends and Debenture Interest			41 15 10
„ Reserve Fund			20,000 0 0
„ Contingency Fund—			
Amount transferred from Reserve Fund		20,000 0 0	
Add Stocks unvalued included in Purchase, per contra		1,076 3 7	
		21,076 3 7	
Less Amalgamation Expenses		1,107 6 4	19,968 17 3
„ Provision for Preference Dividend to 31st December 1903, less Tax ..			983 19 8
„ Profit and Loss Account, balance brought forward less Ordinary Dividend paid		377 5 1	
Add Profit this year		14,978 7 6	
		15,355 12 7	
Deduct—			
Ordinary Interim Dividend	£5,250 0 0		
Preference Dividend paid to 30th Sept. 1903	3,093 15 0		
Preference Dividend to 31st Dec. 1903 ..	1,031 5 0	9,375 0 0	5,980 12 7
			£455,013 19 3

Assets.		£ s d	£ s d
By Goodwill		203,581 10 9	
Add Croydon agreed Purchase Price ..		6,500 0 0	210,081 10 9
„ Freehold and Leasehold Property, Fixed and Loose Plant and Machinery, Office Fittings and Fixtures, at cost, as per last account		49,294 18 4	
Additions during year		243 14 11	
		49,538 13 3	
Less Depreciation written off		750 2 10	48,788 10 5
„ Croydon Leasehold Property, Fixed and Loose Plant and Machinery, Office Fittings and Fixtures, at cost		22,698 16 9	
Additions since 31st July 1903		592 17 9	
		23,291 14 6	
Less Depreciation written off		333 6 7	22,958 7 11
„ Tools, Stores, Section Sheets, and Stationery, at cost, as per last account		2,802 16 8	
Additions during year		47 15 7	
		2,850 12 3	
Less Depreciation written off Tools	£72 2 8		
Reduction of Stationery Stock charged to Profit and Loss	106 13 10	178 16 6	2,671 15 9
„ Croydon Tools, Stores, Patterns, Raw Materials		6,838 9 5	
Additions since 31st July 1903..	£682 5 0		
Stocks unvalued included in Purchase, per contra	1,076 3 7	1,758 8 7	
		8,596 18 0	
Less Depreciation written off		131 1 8	8,465 16 4
„ Stock on Hand (certified by the Managing Director to be taken at average cost price)—			
London		82,026 8 11	
Croydon		11,887 0 7	93,913 9 6
„ Sundry Debtors, less Discount and Bad Debt Reserves			32,188 8 9
„ Bills Receivable			2,344 3 11
„ Investments in Government and Corporation Stocks			19,428 0 2
„ Cash at Bank			14,173 15 9
			£455,013 19 3

MEASURES BROTHERS, LIMITED—*continued.*

Dr. PROFIT AND LOSS ACCOUNT for the Year ended 31st December 1903. *Cr.*

1903		£	s	d	1903		£	s	d
Dec. 31	To Directors' and Trustees' Remuneration.. ..	3,826	13	4	Dec. 31	By Trading Account	39,870	11	2
	" Rent, Rates, Gas, Coal, and Insurance	5,913	4	7		" Dividends on Investments	923	16	7
	" Salaries, Stationery, and General Charges ..	7,424	8	1		" Transfer Fees	19	10	3
	" Advertising	1,302	0	6					
	" Repairs and Renewals	389	8	3					
	" Legal and Accountancy Charges	167	18	1					
	" Bad Debts	962	10	1					
	" Depreciation	1,286	13	9					
	" Debenture Interest	3,375	0	0					
	" Interest and Discount	1,187	13	10					
	" Balance	14,978	7	6					
		£40,813	18	0			£40,813	18	0

ROBERT H. MEASURES
R. T. MEASURES
H. J. T. MEASURES } *Directors.*
H. A. F. MEASURES
G. E. A. MEASURES

2nd February 1904. T. W. INWOOD, *Secretary.*

AUDITORS' CERTIFICATE AND REPORT.

In accordance with the Provisions of the Companies Act, 1900, we certify that all our requirements as Auditors have been complied with, and we report as follows:—

We have examined the foregoing Balance Sheet with the Books and Vouchers of the Company, and find it to be correct. Stocks on hand have been valued as in former years on the basis of the average cost, which is in excess of the actual market prices at 31st December 1903.

Investments have also been taken at cost price.

The Reserve for Bad and Doubtful Debts, which has been made by your Directors, is, in their opinion, sufficient.

The amount set aside for Depreciation is £1,286 13s. 9d., and includes a provision for the Croydon Property acquired, in addition to which Repairs and Renewals have been charged, amounting to £389 8s. 3d. The actual sum charged as Depreciation in respect of the original properties is less than the amount recommended by the Valuers by £177 14s. 6d.

Contingency Fund.—The sum of £20,000 has been transferred from the Reserve Fund to a Contingency Fund, to be used in accordance with the Resolution passed at the Extraordinary General Meeting.

Debenture Redemption Premium.—We would recommend that out of the Profits, and in future years, a sum be set aside to provide for the premium of 5 per cent. payable on the redemption of the First Mortgage Debenture Stock.

Subject to the above remarks, we certify that in our opinion the Balance Sheet is properly drawn so as to show a correct view of the Company's affairs, as shown by the Books of the Company.

17 COLEMAN STREET, LONDON, E.C.
30th January 1904.

CREWDSON, YOUATT & HOWARD,
Chartered Accountants.

CALLENDER'S CABLE AND CONSTRUCTION COMPANY, LIMITED.

Dr. BALANCE SHEET, as at 31st December 1904. *Cr.*

Capital and Liabilities.

	£	s	d	£	s	d
To Share Capital—						
40,000 Preference Shares of £5 each, fully paid	200,000	0	0			
35,000 Ordinary Shares of £5 each, fully paid	175,000	0	0			
				375,000	0	0
„ Debenture Stock—						
As per last Account	200,000	0	0			
Since issued	100,000	0	0			
(Redeemable at Company's option at £110)				300,000	0	0
„ Reserve				100,000	0	0
„ Machinery Renewal				25,112	8	8
„ Bills Payable				87,448	0	7
„ Trade Creditors and other Liabilities				74,089	5	0
„ Profit and Loss Account	45,281	13	0			
„ *Less* Interim Dividend, 1st November 1904	8,750	0	0			
				36,531	13	0
				£998,181	7	3

Assets and Appropriation of Capital.

				£	s	d	£	s	d
By Property at Erith—									
Value of Freehold Land, Buildings, and Machinery, as at 31st December 1903				318,951	9	1			
„ Additions during 1904				11,589	3	7			
				330,540	12	8			
Less—									
Depreciation ..	£12,166	18	5						
Transfer to Leigh	909	7	7						
				13,076	6	0			
As per Certificate of Messrs. Bramwell & Harris, dated 29th March 1905				317,[illegible]64	6	8			
„ Grosvenor Wharf ..	£1,050	0	0						
Less Depreciation	100	0	0						
				950	0	0			
							318,414	6	8
„ Goodwill and Patents							Nil		
„ Stock in hand at Erith—									
Raw Materials				98,154	9	9			
Manufactured Goods				17,325	18	6			
							115,480	8	3
„ Expenditure on Contracts in course of execution, Patterns, and Tools ..							98,251	9	10
„ Cable Drums							21,475	18	1
„ Sundry Debtors and other Accounts				184,909	7	6			
„ Money retained by Corporations for due fulfilment of Contracts				94,356	13	5			
							279,266	0	11
„ Cash at Bank and in hand				4,111	9	0			
„ Bills Receivable				15,230	12	10			
							19,342	1	10
„ Shares and Investments in other Companies							57,913	13	3
„ Anchor Cable Company, Limited, as per last Account				72,696	10	11			
„ Additional Advances				13,440	17	6			
							86,137	8	5
„ Office Furniture							1,900	0	0
							£998,181	7	3

CALLENDER'S CABLE AND CONSTRUCTION COMPANY, LIMITED—*continued.*

Dr. PROFIT AND LOSS ACCOUNT for the Year ending 31st December 1904. *Cr.*

	£	s	d		£	s	d
To General Expenses at London Office, including Salaries, Legal and Travelling Expenses and Directors' Fees	24,862	3	1	By Profit for the year, after deducting all Charges on Manufacturing Accounts and Contracts, including Salaries, Taxes, &c., at Erith	94,163	15	0
" Auditors' Fee	250	0	0				
" Provision for Income Tax	1,750	0	0				
" Repairs and Maintenance of Plant and Buildings ..	8,675	3	4				
" Samples, Experiments and Advertising	1,560	13	5				
" Balance carried down	57,065	15	2				
	£94,163	15	0		£94,163	15	0
To Depreciation on Property	12,166	18	5	By Balance brought down	57,065	15	2
" Do. on Office Furniture	170	12	8	" Balance from 1903	24,581	3	0
" Interest on Debenture Stock	11,250	0	0				
" Dividend on Preference Shares	10,000	0	0				
" Balance carried down	48,059	7	1				
	£81,646	18	2		£81,646	18	2
To Balance of cost of issuing Debenture Stock	2,777	14	1	By Balance brought down	48,059	7	1
" Balance as per Balance Sheet	45,281	13	0				
	£48,059	7	1		£48,059	7	1

In accordance with the provisions of the "Companies Act, 1900" we hereby certify that all our requirements as Auditors have been complied with, and having examined the above Balance Sheet we are of opinion it is properly drawn up so as to exhibit a true and correct view of the Company's affairs as shown by the Books of the Company, Stock stands as taken and certified by the various parties responsible for it, and countersigned by the Managing Director.

JAS. WORLEY & SONS, (*Chartered Acccountants*), *Auditors.*

LONDON, *May 12th* 1905.

HENRY DRAKE,
J. FORTESQUE FLANNERY, } *Directors.*

H. E. HARRISON, *Secretary.*

[COPY]

5 GREAT GEORGE STREET, WESTMINSTER, S.W.
29th March 1905.

ERITH WORKS.—CERTIFICATE OF VALUATION.

GENTLEMEN.—Having made a detailed inspection and Valuation of the additions to the Machinery and Buildings, provided at your Works in the course of the year 1904, and after noting the value of the Machinery superseded or removed during the same period, we hereby certify that the value to your Company as at the 31st December 1904 of the Land, Buildings, and Machinery at your Works at Erith, after allowing a fair and proper depreciation upon these, is **£317,464 6s. 8d.** (Three hundred and seventeen thousand four hundred and sixty-four pounds six shillings and eightpence); this value being, as in previous years, exclusive of any sum for Goodwill, Patent, Stocks, or Contracts in hand.

We are, Gentlemen,

Your obedient Servants,

(*Signed*) BRAMWELL & HARRIS.

Messrs. Callender's Cable and Construction Co., Ltd.,
Hamilton House, Victoria Embankment, E.C.

RUSTON, PROCTOR & COMPANY, LIMITED.

BALANCE SHEET, 31st March 1901.

Capital and Liabilities

			£ s d	£ s d
Nominal Capital—				
35,000 Ordinary Shares of £10 each			350,000 0 0	
Subscribed Capital—				
35,000 Ordinary Shares of £10 each fully paid (including 10,000 Shares issued during the past year)				350,000 0 0
Share Premium Account—				
Amount received on new issue of Shares				10,000 0 0
Mortgage Debentures bearing interest at 4 per cent. per annum			250,000 0 0	
Accrued Interest thereon			2,500 0 0	
				252,500 0 0
Sundry Creditors				18,754 7 3
(Contingent Liability in respect of Bills discounted £28,756 17s. 2d.)				
Debenture Interest and Dividends outstanding				59 10 0
Equalisation of Dividends Account—				
Balance at 31st March 1900			5,000 0 0	
Add Further amount transferred to credit thereof per Resolution of Shareholders 30th May 1900			10,000 0 0	
				15,000 0 0
Profit and Loss Account—				
Balance at 31st March 1900			28,615 5 6	
Deduct Dividend of 14s. per Share paid on 25,000 Shares as per Resolution of 30th May 1900		£17,500 0 0		
Equalisation of Dividends Account, transfer to credit thereof		10,000 0 0		
			27,500 0 0	
Leaving a Balance of ..			1,115 5 6	
Add Balance of Profit for the year ended 31st March 1901		£29,956 5 3		
Deduct Depreciation of Buildings	£2,143 4 6			
" " of Plant and Machinery	6,335 3 6			
" " of Office Furniture	151 3 0			
" Directors' Remuneration to 31st March 1901 ..	1,300 0 0			
" Interest on £250,000 Debentures	10,000 0 0			
		19,929 11 0		
			10,026 14 3	
				11,141 19 9
				£657,455 17 0

Property and Assets

	£ s d	£ s d
Land and Buildings—		
Amount at 31st March 1900	141,116 9 9	
Deduct Depreciation on Buildings at 2½ per cent... ..	2,143 4 6	
	138,973 5 3	
Add Outlay during the Year..	8,968 17 6	
		147,942 2 9
Plant, Machinery, &c.—		
Amount at 31st March 1900	84,468 19 10	
Deduct Depreciation at 7½ per cent.	6,335 3 6	
	78,133 16 4	
Add Outlay during the year	14,468 11 7	
		92,602 7 11
Office Furniture, &c.—		
Amount at 31st March 1900	1,511 13 5	
Deduct Depreciation at 10 per cent.	151 3 0	
	1,360 10 5	
Add Outlay during the year	273 13 6	
		1,634 3 11
Stock-in-Trade at Lincoln and abroad		263,534 14 6
Sundry Debtors, *less* reserved for Doubtful Debts		68,500 4 11
Cash at Bankers, and in hand, and Bills receivable in hand		83,242 3 0
Goodwill Account, Patents, Drawings, &c.—		
Amount at 31st March 1890	82,692 19 11	
Written off out of Profits by instalments to 31st March 1899 per resolutions of Shareholders		" " "
		£657,455 17 0

CERTIFICATE AND REPORT OF AUDITORS.

In accordance with the provisions of the Companies Act, 1900, we certify that all our requirements as Auditors have been complied with.

We report to the Shareholders that we have examined the Books, Accounts, and Vouchers of the Company for the year ended 31st March last, and have found the same correct. In our opinion the foregoing Balance Sheet is properly drawn up, and exhibits a true and correct view of the state of the Company's affairs as shown by the books of the Company.

ASHWORTH, MOSLEY & Co.,
Chartered Accountants.

Manchester, *16th May* 1901.

KYNOCH LIMITED.

BALANCE SHEET, 31st March 1904.

8th April 1903 £ s d	*Liabilities.*	£ s d	£ s d
	CAPITAL AUTHORISED, viz.:—		
500,000 0 0	50,000 Preference Shares of £10 each	500,000 0 0	
500,000 0 0	50,000 Ordinary Shares of £10 each ..	500,000 0 0	
1,000,000 0 0		£1,000,000 0 0	
	CAPITAL ISSUED, viz.:—		
495,370 0 0	49,537 Preference Shares of £10 each fully paid	495,370 0 0	
375,000 0 0	37,500 Ordinary Shares of £10 each fully paid	375,000 0 0	
870,370 0 0			870,370 0 0
140,071 12 1	SUNDRY CREDITORS		274,211 17 1
	(Exclusive of a contingent liability of £35,089 2s. 8d. in respect of Forward Engineering Co.)		
12,123 13 4	ADVANCE ON MORTGAGE OF LODGE ROAD MILLS and Interest accrued		12,125 13 4
109,026 17 6	RESERVE FUND		150,000 0 0
14,833 10 7	PENSION FUND		14,833 10 7
9,091 2 3	BAD DEBT AND OTHER RESERVES		7,891 10 0
	PROFIT AND LOSS ACCOUNT, viz.:—		
61,649 12 3	Amount brought forward from last year	53,660 4 3	
100,023 7 2	Profit for the year ended 31st March 1904	91,357 13 8	
161,672 19 5		145,017 17 11	
12,155 7 8	*Less* Interim Dividend paid on Preference Shares	12,384 5 0	
149,517 11 9			132,633 12 11
£1,305,034 7 6			£1,462,066 3 11

FRANK HUXHAM, A.C.A.,
Secretary.

8th April 1903 £ s d	*Assets.*	£ s d	£ s d
	CAPITAL EXPENDITURE, viz.:—		
818,471 6 0	At Witton, Holford, Arklow, Kynochtown, Worsbro' Dale, Inchicore, Lodge Road, Eyre Street, and Stirchley, Birmingham, as on 8th April 1903	899,040 13 5	
80,569 7 5	Additions charged to Capital, as passed by the Directors	74,775 14 7	
899,040 13 5			973,816 8 0
	STOCK-IN-TRADE, as passed by the Directors, viz.:—		
57,694 13 11	Materials, consisting of Metal, Powder, Paper, &c...	68,402 7 4	
15,378 1 6	Orders in Progress	26,851 18 6	
158,161 18 5	Stock of Finished Work	216,552 0 0	
231,234 13 10			311,806 5 10
161,015 13 5	SUNDRY DEBTORS		164,852 15 10
13,743 6 10	INVESTMENTS AND CASH IN HAND		11,590 14 3
£1,305,034 7 6			£1,462,066 3 11

ARTHUR CHAMBERLAIN,
Chairman.

TO THE SHAREHOLDERS OF KYNOCH LIMITED,

We have audited the Books and Accounts of the Company, and the above Balance Sheet, in our opinion, is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs, as shown by the books of the Company.

We certify that all our requirements as Auditors have been complied with.

GIBSON & ASHFORD, *Chartered Accountants,*
Birmingham and London.

13th June 1904.

MUNTZ'S METAL COMPANY, LIMITED.

BALANCE SHEET, 31st December 1903.

Dr. — *Capital and Liabilities.*

	£	s	d	£	s	d
To CAPITAL AUTHORISED	300,000	0	0			
" CAPITAL ISSUED:—						
14,248 Preference Shares of £5 each, fully paid	71,240	0	0			
21,493 Ordinary Shares of £5 each, fully paid	107,465	0	0			
	178,705	0	0			
48 Fractional Certificates of 10s. each, still outstanding	24	0	0			
				178,729	0	0
" Sundry Creditors				50,269	9	3
" Loan from Bankers				38,011	1	4
" Reserve Fund	5,000	0	0			
Less transferred to Profit and Loss Account	1,500	0	0			
				3,500	0	0
" Capital Reserve Account				8,723	1	9
NOTE.—This is the increase in value of the Company's Land and Buildings, Plant and Machinery, as at 31st December 1903, arising from the adoption of the figures of Valuation made by Messrs. Bramwell & Harris.						
" PROFIT AND LOSS ACCOUNT:—						
Balance from last Account	3,755	0	7			
Add Profit for the year ended 31st December 1903	4,201	8	8			
Transferred from Reserve Fund ..	1,500	0	0			
See Dividend and Appropriation Account below	9,456	9	3			
Less Interim Dividend paid	5,810	18	9			
				3,645	10	6
				£282,878	2	10

Cr. — *Property and Assets.*

	£	s	d	£	s	d
By Lands						
" Messrs. Grimley & Sons' Valuation of September 1899				9,850	0	0
" Old Side Works, Buildings and Machinery				31,774	1	5
NOTE.—The above is the figure of a complete new valuation by Messrs. Bramwell & Harris, of the Buildings and Machinery, as at 31st December 1903, after practical completion of the alterations at the Old Side Works.						
" New Side Works. Buildings and Machinery				69,590	12	0
NOTE.—This is the figure of Messrs. Bramwell & Harris's valuation of September 1899, depreciated to the 31st December 1903, but including the expenditure on the New Plant and Machinery of these Works to the same date.						
" Loose Tools	£6,054	3	0			
" Stores, Spares and Office Furniture ..	4,616	8	8			
				10,670	11	8
" Stock, as per inventories prepared and certified by Messrs. Bramwell & Harris, taken as to 1,200 tons of Copper at £44 per ton, and other items at prices at, or under, market value of the raw material, plus manufacturing expenses				84,213	7	10
" Sundry Debtors, after making allowance for discounts				60,779	10	10
" Cash at Bankers on current account, and in hand ..				15,999	19	1
				£282,878	2	10

DIVIDEND AND APPROPRIATION ACCOUNT.

	£	s	d	£	s	d
To Interim Dividend of 5% per annum on Preference Shares for the half-year to 30th June 1903	1,781	0	0			
" Interim Dividend 7½% per annum on Ordinary Shares for the half-year to 30th June 1903	4,029	18	9			
				5,810	18	9
" Proposed Dividend 5% per annum on Preference Shares for the half-year to 31st December 1903 ..				1,781	0	0
" Proposed Dividend 2½% per annum on Ordinary Shares for the half-year to 31st December 1903 ..				1,343	6	3
" Balance carried forward				521	4	3
				£9,456	9	3

	£	s	d
By Balance	9,456	9	3
	£9,456	9	3

In accordance with the provisions of the Companies Act, 1900, we certify that all our requirements as Auditors have been complied with, and

We report to the Shareholders that we have examined and compared this Balance Sheet with the Books and Vouchers of the Company, and in our opinion it is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs, as shown by the Books of the Company.

LONDON,
14th March 1904.

TURQUAND, YOUNGS & CO.,
Auditors.

STEWARTS & LLOYDS, LIMITED.

Dr. BALANCE SHEET, 31st December 1903. *Cr.*

				£	s	d
To Share Capital Authorised and Subscribed:—						
55,000 6% Cumulative Preference Shares of £10 each, fully paid	£550,000	0	0			
85,000 Ordinary Shares of £10 each, fully paid	850,000	0	0			
140,000				1,400,000	0	0
To 3½% Debentures:—						
3,500 of £100 each, secured upon certain Heritable, Freehold, and Leasehold Property of the Company				350,000	0	0
To Reserve Fund				220,000	0	0
To Unclaimed Dividends				150	11	6
To Debts due by Company..				167,801	17	11
To Profit and Loss Account:—						
Balance brought forward from last year	£50,314	8	4			
Add—						
Balance from Account, 31st Dec. 1903, being profit for year 1903..	175,824	9	9			
	226,138	18	1			
Deduct—						
Interim Dividend for half-year to 30th June 1903, paid on 30th September 1903, at the rate of 6% per annum on Preference and 9% per annum on Ordinary Shares	54,750	0	0			
				171,388	18	1
				£2,309,341	7	6

				£	s	d
By Cash at Bankers and in hand				83,634	4	0
By Investments:—						
Consols, British Railway Debenture and Lien Stocks at cost, £116,090 14s., *less* £9,560 14s. written off to bring down to market price at 31st December 1903				106,530	0	0
By Bills Receivable..				45,549	3	6
By Debts due to Company..				411,404	1	4
By Stocks of Goods, Work in Progress, Stores, and Loose Tools				593,310	15	1
By Expenditure on Capital Account, viz.:—						
As per last Balance Sheet	£986,930	14	10			
Add—						
Amount paid for the Undertaking and Goodwill of Lloyd & Lloyd, Ltd. (including the Undertaking of the Clydeside Tube Company, Ltd.), on amalgamation with that Company, as at 1st January 1903, after transferring to the respective Accounts above the other assets taken over from them (subject to adjustments), and amount paid for New Plant and Buildings during the year 1903, *less* amount written off Old Plant	271,982	8	9			
	1,258,913	3	7			
Deduct—						
Depreciation Account	190,000	0	0			
				1,068,913	3	7
				£2,309,341	7	6

Note.—The whole of the Capital of the Company having been provided by Stewarts & Lloyds, Ltd., the Assets and Liabilities of Stewarts & Lloyds (South Africa), Ltd., as shown by the audited Accounts of that Company at 30th September 1903, are incorporated in the above Balance Sheet, and the result of the trading for the nine months ending 30th September 1903 is included in the Profit and Loss Account below.

Dr. PROFIT AND LOSS ACCOUNT for Year ending 31st December 1903. *Cr.*

	£	s	d
To General Charges, for Management, Salaries of Managing Directors, Local Board and Works and Office Staffs, Advertising, Law, and other Expenses	53,531	17	4
To Income Tax	7,276	3	1
To Feu-Duties, Rents, Taxes, &c.	11,356	13	2
To Directors' and Auditors' Fees	4,500	0	0
To Expenses in connection with the Amalgamation with Lloyd & Lloyd, Ltd.	6,239	15	8
To Interest on Debentures for year ending 31st December 1903	12,250	0	0
To Balance carried to Balance Sheet, being Profit for year 1903	175,824	9	9
	£270,978	19	0

	£	s	d
By Profit of the various Works and Warehouses, after provision for Bad and Doubtful Debts, Depreciation on Investments, and amount written off Old Plant, including Profit of Stewarts & Lloyds (South Africa), Ltd., for the nine months ending 30th September 1903	265,216	2	2
By Rents of Workmen's Houses	1,939	16	9
By Transfer Fees, &c.	141	17	0
By Interest on Investments, &c.	3,681	3	1
	£270,978	19	0

In accordance with the provisions of the Companies Act, 1900, we certify that all our requirements as Auditors have been complied with, and we report to the Shareholders that we have Audited the above Balance Sheet with the Books and Accounts of the Company in Glasgow, and with the Audited Accounts of the Birmingham Office, the English and Colonial Branches, and the South African Company. The Stock in Glasgow, Birmingham, and at the Branches has been certified by Officers of the Company, and that of the South African Company by the Managers in South Africa of that Company. The Stock in the Colonies has been taken at 30th September 1903, and adjusted to 31st December 1903. The Accounts of the Birmingham Office and of the English Branches have been Audited by Messrs. Wenham, Angus & Co., those of the Colonial Branches by local Auditors, and those of the South African Company by local Auditors and by us. In our opinion, such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs, as shown by the Books of the Company.

London, *16th March* 1904.

COOPER BROTHERS & CO., } *Auditors.*
Chartered Accountants. }

THE VERNON COTTON SPINNING COMPANY, STOCKPORT, LIMITED,

Year ending 25th June 1903.

TRADING ACCOUNT.

Dr.

	£	s	d	£	s	d
To Cotton				114,906	4	8
Brokerage and Charges	673	2	8			
Carriage	1,284	14	3			
Coals	2,681	9	1			
Oil and Tallow	365	16	6			
Brushes	33	15	9			
Banding	476	10	4			
Paper and Twine	107	15	10			
Strapping	247	11	7			
Roller Leather	189	13	0			
,, Cloth	23	18	11			
Repairs—Buildings, Engines, Boilers, and Gearing	117	15	6			
Repairs—Machinery	353	0	3			
Card Clothing	200	0	0			
Skips and Bobbins	244	16	10			
Mill Charges	331	0	0			
Stores	200	10	10			
Gas, Electric Light, and Water	81	8	1			
Chief Rent	66	15	0			
Insurance	486	9	5			
Interest	1,587	7	8			
Bank Charges	69	10	0			
Commission	1,478	19	1			
Discount	3,033	2	9			
Rates and Taxes	756	17	7			
Depreciation	3,284	0	0			
Printing and Stationery	27	12	c			
Petty Cash	33	16	6			
				18,437	9	5
Wages	17,975	1	8			
Directors' Remuneration	166	10	0			
				18,141	11	8
				£151,485	5	9

Cr.

	£	s	d
By Yarn	143,001	4	2
Waste	3,093	19	9
Sundry Sales	96	4	1
Transfer Fees	2	5	6
Balance to Profit and Loss	5,291	12	3
	£151,485	5	9

PROFIT AND LOSS ACCOUNT.

Dr.

		£	s	d
1902 June 26.	To Balance	1,865	0	10
Aug. 6.	Dividend	1,875	0	0
1903 June 25.	Trading Account	5,291	12	3
		£9,031	13	1
June 25.	Balance	3,031	13	1

Cr.

		£	s	d
1902 Aug. 6.	By Reserve Fund	4,000	0	0
1903 June 25.	Reserve Fund	2,000	0	0
,, ,,	Balance	3,031	13	1
		£9,031	13	1

DIVIDEND ACCOUNT.

Dr.

		£	s	d
1903 June 25.	To Payments	1,898	4	6
,, ,,	Balance	29	7	6
		£1,927	12	0

Cr.

		£	s	d
1902 June 26.	By Balance	52	12	0
Aug. 6.	Dividend	1,875	0	0
		£1,927	12	0
1903 June 25.	By Balance	29	7	6

THE VERNON COTTON SPINNING CO., STOCKPORT, LIMITED—*continued.*

DEPRECIATION ACCOUNT.

Dr.		£ s d			*Cr.* £ s d
1903 June 25.	To Balance	52,997 2 5	1902 June 26.	By Balance	49,713 2 5
			1903 June 25.	Depreciation on Buildings	1,419 0 0
			" "	Ditto on Machinery	1,865 0 0
		£52,997 2 5			£52,997 2 5
				By Balance	52,997 2 5

LOAN ACCOUNT.

Dr.		£ s d			*Cr.* £ s d
1903 June 25.	To Cash withdrawn	4,560 15 2	1902 June 26.	By Balance	28,575 5 8
" "	Balance	27,518 2 10	1903 June 25.	Cash Deposited	2,509 6 11
			" "	Interest	994 5 5
		£32,078 18 0			£32,078 18 0
				By Balance	27,518 2 10

RESERVE FUND.

Dr.		£ s d			*Cr.* £ s d
1903 June 25.	To Profit and Loss	2,000 0 0	1902 June 26.	By Balance	2,000 0 0

GENERAL BALANCE.

Dr.	£ s d	£ s d	*Cr.*	£ s d	£ s d
To Share Capital	75,000 0 0		By No. 1 Mill Account	..	10,195 16 11
Loan Capital	27,518 2 10		No. 2.		
		102,518 2 10	Buildings	52,601 11 7	
Sundry Creditors	..	2,360 3 5	*Less* Depreciation	15,571 3 4	
Unclaimed Dividends	..	29 7 6	No. 2.		37,030 8 3
Due to the Bank	..	6,569 3 3	Machinery	53,105 3 4	
			Less Depreciation	37,425 19 1	
					15,679 4 3
			Stock Cotton	29,268 1 0	
			" Yarn	7,218 3 9	
			" Waste	16 7 0	
			" Stores	400 12 10	
					36,903 4 7
			Sundry Debtors	..	8,631 9 11
			One Share Manchester Cotton Association	..	5 0 0
			Balance from Profit and Loss Account	..	3,031 13 1
		£111,476 17 0			£111,476 17 0

AUDITORS' REPORT AND CERTIFICATE.

To the Shareholders—

We have audited the above Balance Sheet dated the 25th day of June 1903 and in our opinion such Balance Sheet is properly drawn up, so as to exhibit a true and correct view of the state of the Company's affairs, and is as shown by the books of the Company.

In accordance with the provisions of the Companies Act, 1900, we certify that all our requirements as Auditors have been complied with.

W. CHARLESWORTH & Co., Chartered Accountants.

Stockport, *4th July* 1903.

BLACKPOOL LAND, BUILDING, AND HOTEL COMPANY, LIMITED.

BALANCE SHEET made up to 30th September 1901.

Capital and Liabilities.

		£ s d	£ s d	£ s d
Capital.	*Share Capital*— Amount received from Shareholders, 8,123 Shares of 10s. each, fully paid			4,061 10 0
Debts and Liabilities.	*Sundry Liabilities*—			
	Sundry Debts owing for Salaries, Law Charges, Directors' Fees, Rates and Taxes, &c.		303 6 9	
	Unclaimed Dividends ..		10 15 2	
				314 1 11
Realisation of Property.	*Realisation of Property*—			
	As per last Account	5,410 1 10		
	Add Purchase Money of Land sold during year, and Sundry Receipts ..	404 12 8		
			5,814 14 6	
	Less Bonus of 2s. 6d. per Share paid May 1901	1,015 7 6		
	Law Charges, Directors' Fees, &c.	213 14 2		
			1,229 1 8	
				4,585 12 10
Revenue.	*Available Balance*— Balance available as per Revenue Account			454 8 11½
				£9,415 13 8½

Property, Assets, and Expenses.

		£ s d	£ s d
Property.	*Property*—		
	Balance of Cost of Property, as per last Account ..	2,127 5 11½	
	Add Expenditure during the year upon New Roads and Sewers	315 3 7	
	Add Tithe Redemption ..	33 1 2	
			2,475 10 8½
Debts due to the Company.	*Debts Due to the Co.*—		
	Sundry Tenants for Rent, &c.	47 13 0	
	Sundry Debts for uncompleted Purchases and Interest thereon	6,833 0 0	
			6,880 13 0
Cash.	*Cash*—		
	In Bank	54 5 11	
	In hands of Secretary ..	5 4 1	
			59 10 0
			£9,415 13 8½

REVENUE ACCOUNT for the Year ended 30th September 1901.

Expenses.

	£ s d	£ s d
Salaries of Secretary, Auditor and Commission on Rents	58 16 10	
Rent of Office, Rates and Taxes	11 5 7	
Travelling Expenses	18 5 0	
Advertising, Printing, and Stationery	3 13 8	
Stamps, Postages, and Petty Expenses	2 5 6	
Repairs and Maintenance ..	0 18 0	
		95 4 7
Balance Available		454 8 11½
		£549 13 6½

Receipts.

	£ s d	£ s d
Balance from last year ..	398 4 10½	
Less Dividend of 5% paid October 1900..	203 1 6	
		195 3 4½
Chief Rent and Rents of Land	52 15 0	
Interest on Investments and on incomplete purchases ..	301 15 2	
		354 10 2
		£549 13 6½

AUDITOR'S CERTIFICATE AND REPORT.

I hereby certify, in accordance with the provisions of the Companies Act, 1900, that all my requirements as Auditor have been complied with. I beg to report to the Shareholders that I have audited the above Accounts and Balance Sheet, and that, in my opinion, the Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as shown by the books.

H. GARDNER, *Auditor.*

MESSRS. FURNESS, WITHY & CO., LIMITED.

BALANCE SHEET, 30th April 1901.

Capital and Liabilities.	£	s	d	£	s	d
Share Capital—						
Total Authorised Issue :						
30,000 5% Preference Shares @ £10 each	300,000	0	0			
7,000 Ordinary Shares @ £100 each	700,000	0	0			
	£1,000,000	0	0			
The whole of which have been issued and fully paid	..			1,000,000	0	0
4½% Debentures	..			380,000	0	0
Creditors—						
On open accounts at Head Office, Shipyard and Branch Offices ..	82,441	14	11			
On Bills payable for new Steamers, Engines, &c.	499,836	9	4			
	582,278	4	3			
Add Amounts received on account of Steamers, less payments to Builders	211,113	14	9			
				793,391	19	0
Reserve Fund for Depreciation, &c.	..			600,000	0	0
Insurance Fund	..			75,000	0	0
Profit and Loss Balance as per last Account	134,803	5	9			
Less—Dividend paid 16th July 1900, at 10% on £700,000 70,000 0 0						
Less Transfer to Insurance Fund .. 50,000 0 0						
	120,000	0	0			
	14,803	5	9			
Add Profit this year as per account	263,979	12	5			
	278,782	18	2			
Less—Written off to Reserve Fund 150,000 0 0						
Less—Written off to Insurance Fund 25,000 0 0						
	175,000	0	0			
				103,782	18	2
				£2,952,774	17	2

Property and Assets.	£	s	d	£	s	d
Steamships, Freeholds, Leaseholds, Buildings, Dry Dock, Machinery, Plant, Stocks and Work in progress at Shipyard ..	..			838,879	8	7
Investments—						
In Government and Railway Securities, Banks and Industrial Companies	..			1,236,198	18	8
In Steamships and Shipping Companies	..			270,196	9	8
Sundry Debtors—						
On Open Accounts and Steamers' uncompleted voyages ..	..			182,898	6	1
Cash and Bills—						
Bank Deposits, Loans at interest, Cash in hand and Bills Receivable (undiscounted) at Banks, Head Office and Branches	..			424,601	14	2
				£2,952,774	17	2

PROFIT AND LOSS ACCOUNT for Twelve Months ending April 30th 1901.

	£	s	d	£	s	d
To Directors' Fees	..			5,600	0	0
,, Income Tax	..			7,583	18	4
,, Interest on Debentures and Preference Shares	..			30,565	10	9
,, Balance carried down	..			263,979	12	5
				£307,729	1	6
Proposed Appropriation.						
To Reserve Fund—						
For Depreciation, &c. ..	..			150,000	0	0
,, Insurance Fund	..			25,000	0	0
,, Dividend—						
At 10% on £700,000	..			70,000	0	0
,, Balance carried forward to next year's Account	..			33,782	18	2
				£278,782	18	2

	£	s	d	£	s	d
By Profits—						
On Steamers' Voyages, Purchase and Sale of Steamers, Shipbuilding Yard, Head Office and Branches	..			184,658	11	6
,, Dividends on Investments ..	..			118,934	19	5
,, Government Subsidy for Postal Services	..			4,135	10	7
				£307,729	1	6
By Balance brought forward from 1900	64,803	5	9			
Less—Transfer to Insurance Fund	50,000	0	0			
				14,803	5	9
Balance brought down, being profit for the year	..			263,979	12	5
				£278,782	18	2

WEST HARTLEPOOL,
July 19th 1901.

CHRISTOPHER FURNESS, *Chairman.*
HENRY WITHY,
R. W. VICK,
STEPHEN W. FURNESS,
F. W. LEWIS,
} *Directors.*

In accordance with the Provisions of the Companies Act, 1900, we certify that all our requirements as Auditors have been complied with.

We have audited the books and accounts of Furness, Withy & Co., Ltd., kept at the Head Office and Branches in the United Kingdom, for the year ended 30th April 1901, in which are incorporated the Statements for the same period relating to the American and Canadian Branches as certified by local Accountants.

We certify that, subject to the valuations of Stocks and Investments, the above Balance Sheet is, in our opinion, properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as shown by the books of the Company.

WEST HARTLEPOOL, MONKHOUSE, GODDARD & CO.,
19th July 1901. Chartered Accountants

LEVINSTEIN LIMITED.

BALANCE SHEET (Abridged), 30th June 1901.

Capital and Liabilities.

	£	s	d	£	s	d
Nominal Capital	90,000	0	0			
Subscribed Capital, £90,000						
6 per Cent. Cumulative Preference Shares of £10 each:—						
2,000 Shares, issued as fully paid ..	20,000	0	0			
1,000 Shares, fully paid..	10,000	0	0			
3,000 Shares	30,000	0	0			
Ordinary Shares of £10 each, fully paid:— 6,000 Shares, of which 5,330 Shares were issued as £7 10s. per Share paid	60,000	0	0			
				90,000	0	0
4½ per Cent. First Mortgage Debenture Stock	70,000	0	0			
Add Interest accrued thereon to date (less Income Tax)	1,489	13	9			
				71,489	13	9
5 per Cent. Mortgage Debenture Stock (authorised issue £50,000)	30,000	0	0			
Add Interest accrued thereon to date (less Income Tax)	709	7	6			
				30,709	7	6
The balance of £20,000 5 per Cent. Debenture Stock unissued is reserved to the Bank as security for an overdraft up to £15,000 0s. 0d.						
Sundry Creditors (less Discount)	10,115	13	11			
Reserve for Outstanding Liabilities..	782	6	6			
				10,898	0	5
Liability on Bills discounted, not matured	4,329	15	10			
Amount owing to Bankers				3,049	18	8
Reserve Fund				3,000	0	0
Interest on Investments held by the Trustees for the 4½ per Cent. Debenture Stockholders:—						
Amount at 30th June 1900	600	1	11			
Add Further Interest received by the Trustees to date	379	1	4			
				979	3	3
				£210,126	3	7

Property and other Assets, &c

	£	s	d	£	s	d
Freehold Lands, Water Rights, Reservoirs, Buildings, Machinery and Plant, and Office Furniture:—						
Amount at 30th June 1900	105,742	2	6			
Less Depreciation of Buildings, Plant and Machinery, and Furniture ..	3,787	4	10			
	101,954	17	8			
Add Outlay during the year	4,104	17	5			
				106,059	15	1
Stock of Raw Materials and Colours on hand and on Consignment, and Stores, &c., per Certified Stock Sheets				64,569	3	2
Sundry Debtors, less Reserve for Discount and Doubtful Debts				18,385	8	2
Cash in hand and at Foreign Bankers				262	1	0
Rates and Insurances paid in advance				98	14	1
Trustees for the 4½ per Cent. Debenture Stockholders:— Investments at Cost and Cash held by them				10,579	3	3
Goodwill (Original Amount, £7,084 3s. 5d.)				5,000	0	0
Suspense Account, being Law Costs and Expenses in Test Cases under the Patent Acts:—						
Amount at 30th June 1900	902	2	3			
Deduct Amount now written off ..	165	16	8			
				736	5	7
Patents and Library Account:—						
Amount at 30th June 1900	932	11	4			
Add Total expenditure since that date	563	9	9			
				1,496	1	1
Expenses of Issue of 5 per Cent. Debenture Stock:— Amount at 30th June 1900				1,350	0	0
Balance of Claim and Costs in John Campbell & Co.'s Action against the Company, Amount at 30th June 1900	683	12	8			
Add Balance of Debt and Costs, since paid	347	8	8			
	1,031	1	4			
Less Amount now written off ..	100	0	0			
				931	1	4
Profit and Loss Account:— Balance brought forward from 30th June 1900, per Directors' Report £647 9 1; *Add* Profit for the year ended 30th June 1901 .. 4,056 16 4	4,704	5	5			
Less Interest on Debenture Stocks ..	4,407	16	3			
	296	9	2			
Deduct Interim Dividend on Preference Shares paid for the half-year ended 31st December 1900 (*less* Income Tax) .. .. £855 0 0; Amount written off John Campbell & Co.'s Action Account .. 100 0 0	955	0	0			
Balance at debit				658	10	10
				£210,126	3	7

We certify that all our requirements as Auditors have been complied with, and we report to the Shareholders that we have examined the Books, Accounts, and Vouchers of the Company for the year ending 30th June 1901, and certify to the correctness thereof, and that, subject to the Stock being of the value stated, the foregoing Balance Sheet is, in our opinion, properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as shown by the books of the Company.

MANCHESTER, *15th August* 1901. ASHWORTH, MOSLEY & Co., CHARTERED ACCOUNTANTS *Auditors.*

JEREMIAH ROTHERHAM & CO., LIMITED.

BALANCE SHEET, 15th January 1907.

Liabilities.	£ s d	£ s d	*Assets.*	£ s d
Share Capital—			Freehold and Leasehold Premises and Goodwill—	
Authorised and Issued:			Amount at 15th January 1906	341,606 4 11
200,000 Preference Shares of £1 each fully paid	200,000 0 0		*Deduct*—Depreciation on Leasehold Premises, less additions to Freehold Premises	901 11 1
300,000 Ordinary Shares of £1 each fully paid	300,000 0 0			340,704 12 10
		500,000 0 0	Fixtures and Fittings	27,225 9 6
Mortgage Debenture Stock		200,000 0 0	Movable Plant, Furniture, Horses, Vans, &c.	5,746 19 2
Bills Payable		11,896 0 9	Stock at Cost or under	229,136 5 8
Trade Liabilities	82,310 18 10		Stock of Stationery and Sundry Stores	954 3 10
Less—Discount 2½ per cent.	2,057 15 5		Book Debts £325,096 10 9	
		80,253 3 5	*Less*—Discount 2½ per cent. 8,127 8 3	
Deposits		40,271 19 5		316,969 2 6
Sundry Liabilities due or accrued ..		12,370 9 3	Sundry Debtors, including Advances on Security ..	8,829 11 11
Dividend Warrants, &c., not presented		71 9 6	Fire Insurance, &c., paid in advance	845 7 11
Reserve Accounts:—			Bills Receivable, in hand	3,026 18 9
Reserve for Contingencies on Book Debts	4,000 0 0		Cash at Bankers and in hand	16,276 16 0
Capital Reserve Account	18,681 6 7			
General Reserve Account	47,318 13 5			
		70,000 0 0		
Profit and Loss Account:—				
Balance brought forward from last year	8,945 9 10			
Add—Profit for the year ending 15th January 1907, as per annexed account	41,406 15 11			
	50,352 5 9			
Deduct—Interim Dividends paid 1st Sept. 1906, viz.: Preference Shares at 5% per annum .. .. £5,000; Ordinary Shares at 7% per annum 10,500	15,500 0 0			
		34,852 5 9		
		£949,715 8 1		£949,715 8 1

NOTE.—Goods purchased for the Spring Trade and in course of delivery are not included in the Trade Liabilities nor in the Stock.

Dr. PROFIT AND LOSS ACCOUNT, Year ending 15th January 1907. *Cr.*

	£ s d		£ s d
Interest on Debenture Stock	8,000 0 0	Profit on Trading for the Year, after providing for Bad and Doubtful Debts and deducting Depreciation on Leaseholds, Fixtures, and Movable Plant	51,596 19 11
Directors', Trustees', and Auditors' Fees	2,250 0 0	Transfer Fees	59 16 0
Balance, carried to Balance Sheet	41,406 15 11		
	£51,656 15 11		£51,656 15

HERBERT H. PIGGIN, *Secretary.*

FREDERICK SNOWDEN, } *Directors.*
GEORGE GOTELEE, }

AUDITORS' REPORT.

To the Shareholders of JEREMIAH ROTHERHAM & CO., LIMITED.

We certify that we have examined the foregoing Balance Sheet and Profit and Loss Account with the Company's Books, and that they are in accordance therewith. The Cash and Bills on hand and the Bank Balances and Book Debts have been verified by us, and the Stocks of Goods on hand have been valued and certified by the Managers of each Department.

We also report that in our opinion the above Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as shown by the books of the Company, and we certify that all our requirements as Auditors have been complied with.

99 CHEAPSIDE, LONDON, E.C.
11th February 1907.

VINEY, PRICE & GOODYEAR,
Chartered Accountants.

RUDGE-WHITWORTH, LIMITED.

Dr. BALANCE SHEET, 31st July 1904 *Cr.*

	£	s	d	£	s	d
To CAPITAL REGISTERED—						
20,000 Preference Shares, £5 per Share	100,000	0	0			
100,000 Ordinary Shares, £1 per Share	100,000	0	0			
	£200,000	0	0			
" CAPITAL CALLED UP—						
16,600 Cumulative 6 per cent. Preference Shares, £5 per share	83,000	0	0			
94,946 Ordinary Shares, £1 per share	94,946	0	0			
	177,946	0	0			
Deduct Shares forfeited	45	0	0	177,901	0	0
" DEBENTURES ISSUED—						
First Series	16,500	0	0			
Interest thereon to date	68	15	0	16,568	15	0
" Sundry Creditors				38,515	8	6
(Contingent liability on Endorsements, £9,722 10s. 8d.)						
" Reserve Fund	55,062	0	0			
Add Balance of Premium on 495 Preference Shares issued during year	131	3	11	55,193	3	11
" PROFIT AND LOSS ACCOUNT—						
Balance brought forward from last year	13,992	14	6			
Add Net profit for the eleven months ended 31st July 1904 ..	7,235	1	3			
	21,227	15	9			
Deduct Interim Dividend paid on the Preference Shares to 31st January 1904..	1,954	12	3	19,273	3	6
				£307,451	10	11

	£	s	d	£	s	d
By Freehold Property, 31st August 1903 ..	42,517	18	11			
Less Depreciation	425	3	7			
	42,092	15	4			
Additional Outlay thereon	451	12	10	42,544	8	2
" Leaseholds, 31st August 1903	225	0	0			
Deduct Depreciation	25	0	0			
	200	0	0			
Additional Outlay thereon	533	10	0	733	10	0
" Plant, Machinery, Fixtures, Furniture, and Fittings, 31st August 1903 ..	41,672	14	7			
Less Depreciation	3,820	0	0			
	37,852	14	7			
Net additions during year	2,687	2	4	40,539	16	11
" Loose Tools and Patterns, 31st August 1903	13,964	17	6			
Less Depreciation	1,280	2	3			
	12,684	15	3			
Net additions during year	2,750	3	9	15,434	19	0
" Depôts Fittings, and Fixtures, Show Stands, Signs, &c. (*less* Depreciation)				8,154	15	5
" Stock-in-Trade at Works and Depôts				88,335	8	2
" Sundry Debtors, *less* Reserves				50,687	5	8
" Cash and Bills in hand				4,665	6	5
" Investment, at cost				50	0	0
" Goodwill, Agreements and Patents				56,306	1	2
				£307,451	10	11

To the Members of Rudge-Whitworth, Limited.

In accordance with the provisicns of the Companies Act, 1900, we certify that all our requirements as Auditors have been complied with, and we report that we have examined the above Balance Sheet, and in our opinion it is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs, as shown by the Books of the Company.

The additions to Plant and Tools and the valuation of Stock are certified by the Works Director, and approved by the Board as being at or below cost.

The Accounts of the Company's business in South Africa have been certified by Messrs. E. R. Syfret & Co., Accountants, Cape Town, as on 30th June 1904, and have been adjusted by subsequent transactions before inclusion in the above Balance Sheet.

SHARP, PARSONS & CO.
FELTON & CO.,
Chartered Accountants.

BIRMINGHAM,
22nd October 1904.

THE LANCASHIRE WAGGON CO., LIMITED.

ACCOUNTS for the Half-year ending June 30th 1906.

REVENUE ACCOUNT.

Dr. | *Cr.*

	£ s d		£ s d
To Printing and Advertising	47 3 4	By Rents of Waggons	29,871 3 10
" Rents, Rates and Taxes	271 7 0	" Profit on Sale of Waggons	635 10 0
" Salaries and Directors' Fees, Office expenses, Commission, &c.	626 18 4	" Transfer Fees	1 17 6
" Replacement of Capital	20,968 3 10		
" Balance transferred to Profit and Loss Acconnt	8,594 18 10		
	£30,508 11 4		£30,508 11 4

PROFIT AND LOSS ACCOUNT.

Dr. | *Cr.*

	£ s d		£ s d	£ s d
To Interest	4,363 15 1	By Amount brought forward from last Account *less* adjustment of Interest	8,173 0 6	
		Less Dividend and Bonus paid Feb. 13 1906 .. £4,403 1 8 " Amount to Reserve 2,500 0 0	6,903 1 8	
Balance carried forward	5,501 2 7	1906 June 30 By Balance carried forward		1,269 18 10
		" Revenue Account balance transferred		8,594 18 10
	£9,864 17 8			£9,864 17 8
		By Balance brought down		£5,501 2 7

BALANCE SHEET.

Liabilities.

	£ s d	£ s d	£ s d
To Shareholders:			
To Share Capital paid up as per particulars on opposite page		74,469 0 0	
" Calls paid in advance		30 0 0	
		74,499 0 0	
Reserve— Dec. 31 1905 .. £11,000; Added Feb. 15 1906 .. 2,500		13,500 0 0	
Profit and Loss Account:			
Balance at Credit		5,501 2 7	
			93,500 2 7
To Creditors:			
On Debentures	68,763 16 9		
On Loan Accounts	91,091 4 0		
Interest	1,904 12 3		
		161,759 13 0	
Sundry Creditors, including Bills payable		72,781 2 0	
			234,540 15 0
			£328,040 17 7

Assets.

	£ s d	£ s d
Waggons and other Rolling Stock on Dec. 31st 1905	266,792 8 1	
Add Waggons, &c., purchased during half-year	55,751 5 11	
	322,543 14 0	
Less Amount for Replacement of Capital	20,968 3 10	
		301,575 10 2
Amounts and prepayments owing to the Company		26,459 14 9
Cash in hand		5 12 8
Shares in British Cotton Growing Association, not valued		
Uncalled Share Capital .. £135,731		
		£328,040 17 7

ALFRED SMETHURST, *Chairman.*
A. E. DEARDEN, *Secretary.*

In accordance with the provisions of the Companies Act, 1900, we certify that all our requirements as Auditors have been complied with.

MURGATROYD, SHUTTLEWORTH & HAWORTH,
Chartered Accountants.

BURY, *August 14th* 1906.

CIVIL SERVICE SUPPLY ASSOCIATION, LIMITED.

BALANCE SHEET AND STATEMENT OF AFFAIRS for the Year ended 31st December 1905.

Liabilities.

	£	s	d	£	s	d
To Capital	354,400	0	0			
Balance not yet Appropriated ..	948	12	4			
				355,348	12	4
" Unclaimed Dividends	..		..	2,069	6	6
" Deposit Accounts	..		..	31,407	5	10½
" Trade Creditors, &c.	..		..	109,741	16	4
" Reserve Fund	..		..	99,005	15	0
" " " Interest	3,465	4	0			
Less Paid	1,732	12	0			
				1,732	12	0
" Ticket Reserve Account	7,841	2	0			
Add Transferred from Profit and Loss Account	400	0	0			
				8,241	2	0
" Balance from last year	6,288	10	3½			
" Balance from Profit and Loss Account	45,392	14	7½			
	51,681	4	11			
Less Interim Dividend	21,261	2	7			
				30,420	2	4
To Reserve Fund	1,000	0	0			
" Pension and Gratuity Fund ..	1,500	0	0			
" Employees Provident Fund ..	500	0	0			
" Surplus Profit Account	21,264	0	0			
" Balance carried forward	6,156	2	4			
				£637,966	12	4½

Assets.

	£	s	d	£	s	d
By Stock, as per Trading Account				326,189	8	3
" Paper, String, Stationery, &c.				2,782	4	3
" Fixtures, Furniture, &c.	13,489	11	3			
Less Depreciation at 15%	2,023	8	8			
				11,466	2	7
" Premises—Queen Victoria Street (Leasehold)	56,800	0	0			
Less Written off	800	0	0			
				56,000	0	0
" " Bedford Street (Freehold)				9,000	0	0
" " " " (Leasehold)				13,000	0	0
" " Chandos Street (Freehold)				30,000	0	0
" " " " (Leasehold)				5,000	0	0
" " Agar Street (Freehold)				28,000	0	0
" " Hatfield Street and other Properties (Freehold) ..	40,000	0	0			
Less Property Sold ..	1,250	0	0			
				38,750	0	0
" " Maclise Road (Freehold)				8,000	0	0
" Investments				38,154	18	2
[£10,296 9 2 Local Loans.						
10,236 11 8 India 3%.						
2,664 0 0 L. & N.W.R. Co.'s 3% Debenture Stock.						
8,450 0 0 G.N.R. Co.'s 3% Pref. Stock ('96).						
6,400 0 0 Glasgow & S.W.R. Co.'s 4% Pref. Stock ('94).						
461 7 3 Consols.						
The Market Value of these Stocks on the 30th December was £37,904 19s. 6d.]						
" Sundry Accounts—Clubs, Institutions, &c.				9,378	6	9
" Cash at Bankers	59,479	13	1			
" " and Stamps in hand	2,765	19	3½			
				62,245	12	4½
				£637,966	12	4½

TRADING ACCOUNT.

Dr.

	£	s	d	£	s	d
To Stock, 1st January 1905:—						
Grocery, Wine, Provisions, and Tobacco	123,675	9	9			
Hosiery, Furniture, &c.	64,105	14	11			
Clothing, Boots, &c.	37,785	1	7			
Fancy Goods, Ironmongery, &c. ..	82,059	16	9			
China and Glass	12,191	17	11			
				319,818	0	11
" Purchases:						
Grocery, Wine, Provisions, and Tobacco	725,105	13	7½			
Hosiery, Furniture, &c.	254,658	1	8½			
Clothing, Boots, &c.	86,480	10	7			
Fancy Goods, Ironmongery, &c. ..	321,959	10	7			
China and Glass	22,975	18	3			
				1,411,179	14	9
" Balance, being Gross Profit				260,702	15	1
				£1,991,700	10	9

Cr.

	£	s	d	£	s	d
By Sales:—						
Grocery, Wine, Provisions, and Tobacco	851,313	11	10½			
Hosiery, Furniture, &c.	301,437	2	1			
Clothing, Boots, &c.	99,205	4	6			
Fancy Goods, Ironmongery, &c. ..	383,241	7	8			
China and Glass	30,313	16	4½			
				1,665,511	2	6
" Stock, 31st December 1905:—						
Grocery, Wine, Provisions, and Tobacco	124,969	14	8			
Hosiery, Furniture, &c.	64,224	13	10			
Clothing, Boots, &c.	40,277	1	2			
Fancy Goods, Ironmongery, &c. ..	84,587	18	7			
China and Glass	12,130	0	0			
				326,18	8	3
				£1,991,700	10	9

CIVIL SERVICE SUPPLY ASSOCIATION, LIMITED—*continued.*

PROFIT AND LOSS ACCOUNT.

Dr.

	£ s d	£ s d
To Rent and Taxes	9,794 11 7	
" Salaries and Allowances	113,695 0 11	
" Paper, String, Straw, &c.	9,937 3 6	
" Stationery and Printing	4,282 8 9½	
" Price Lists and Circulars (including cost of delivery), less Advertisements	10,912 4 10	
" Postage and Receipt Stamps	4,788 15 11½	
" Electric Light, Coal, &c.	5,523 2 6	
" Fire, &c., Insurances	3,500 0 0	
" Expenses of Meeting	51 14 10	
" Law Expenses	153 17 8	
" Miscellaneous Trade Expenses ..	5,354 13 8½	
" Repairs, Alterations, &c...	4,105 8 10	
" Depreciation of Fixtures and Furniture..	2,023 8 8	
		174,122 11 9½
" Carriage..		32,723 2 8½
" Remuneration to Committee and Auditors		3,665 0 0
" Income Tax		3,063 15 9
" Written off Premises		800 0 0
" Interest on Reserve Fund		3,465 4 0
" " to Depositors		479 5 2½
" Balance		45,392 14 7½
		£263,711 14 1

Cr.

	£ s d	£ s d
By Gross Profit from Trading Account		260,702 15 1
" Tickets..	1,092 9 6	
Less Transferred to Ticket Reserve Account	400 0 0	
		692 9 6
" Interest		1,558 7 7
Rents and Sundry Receipts		758 11 1
		£263,711 14 1

Having had access to all the Books, Accounts, Vouchers, and Securities of the Society, and having examined the foregoing General Statement, we certify that we have verified the same with the Books, Accounts, and Vouchers relating thereto, and have found it to be correct, duly vouched and in accordance with law. We have to report that all our requirements as Auditors have been complied with.

W. ADAMS
HARRY TOMLINSON } *Auditors.*

14th February 1906.

THE PLANTERS' STORES AND AGENCY COMPANY, LIMITED.

BALANCE SHEET, 30th September 1900.

Dr. | *Cr.*

DIBRUGARH (ASSAM).

Capital and Liabilities.

	Rs. as. p.	Rs. as. p.	£ s d
To Amount due to Calcutta Office	87,747 9 0		
Less amount in transit..	3,565 10 6		
	84,181 14 6		
Add amount of Profit for this half-year ..	5,173 1 6	89,355 0 0	
" Contingency Fund		8,700 0 0	
" Deposit Account		89,414 0	
" Sundry Creditors		40,998 4	
" Furlough Account		1,000 0	
	Rs.	229,467 5 0	1,210 0

Property and Assets.

	Rs. as. p.	£
IMMOVABLE PROPERTY—		
By Value of Manager's Bungalow Land and Out-houses	3,304 4 0	
" Ditto of Assistants' Bungalow ditto ditto	1,837 2 0	
" Ditto of Painted Iron Roof Godown complete, Pucka, asphalted, 250 feet long, 33 feet wide, height of apex 22 feet 10 inches	21,883 15 0	
" Ditto of Pucka, Stock Godown	3,410 15 0	
" Ditto of Bookkeeper's House	140 11 0	
" Ditto of Jorhât, Nazira, Moriani and Margherita Block	4,859 9 0	
MOVABLE PROPERTY—		
" Ditto of Machinery, Fixtures and General Plant	2,518 1 9	
STOCKS—		
" Ditto of Stock-in-Trade in hand and *en route*	104,265 3 0	
DEBTORS—		
" Customers' Outstandings	63,293 11 10	
" Sundry Debtors..	10,937 10 0	
CASH—		
" Cash in hand	13,016 2 5	
Rs.	229,467 5 0	17,210 1 0

CALCUTTA.

	Rs. as. p.	Rs. as. p.	£ s d
To Amount due to London Office..	289,736 15 1		
Add amount of Profit for this half-year ..	20,097 7 11	309,834 7	
" Bills Payable	118,168 15 7		
" Deposit Account	228,579 8 11		
" Sundry Creditors	529,376 0 11		
" Contingency Fund	25,208 11 6		
" Furlough Account	6,625 0 0	907,958 4 11	
	Rs.	1,217,792 11 11	91,334 9 1

	Rs. as. p.	£ s d
By Value of Office Furniture and Fixtures ..	3,987 14 6	
" Ditto of Goods in hand and Shipments Afloat	323,860 15 3	
" Trade Outstandings	218,430 1 3	
" Sundry Debtors	538,602 8 1	
" Amount due by Dibrugarh Branch ..	87,747 9 0	
" Cash in hand and at Bankers	45,163 11 10	
Rs.	1,217,792 11 11	91,334 9 1

LONDON.

	£ s d	£ s d	£ s d
SHARE CAPITAL—			
To Amount of 3,250 Ordinary Shares of £10 each, fully paid up	32,500 0 0		
" Amount of 750 Deferred Shares of £10 each, fully paid up	7,500 0 0	40,000 0 0	
LOAN CAPITAL—			
To Amount of sixty-three 5 per cent. Debentures of £100 each		6,300 0	
" Deposit Account		19,337 0 4	
" Exchange (in suspense)		569 13 9	
" Sundry Creditors		5,496 14 1	
" Profit and Loss, as per separate statement		2,841 3 7	74,544 11 9
			£183,089 1 10

	£ s d	£ s d	£ s d
By Amount due by Calcutta Office	21,730 5 5		
Add amount in transit ..	1,862 18 0	23,593 3 5	
" Ditto paid for Goodwill		10,000 0 0	
" Sundry Debtors		11,327 2 6	
" Value of Office Furniture		78 2 5	
" Amount Invested in Shares and other Securities		6,510 16 5	
" Amount advanced on Mortgage of Property in Ceylon		6,900 15 8	
" Cost of Deohall Tea Estate ..	12,812 16 9		
" " Rytok Tea Estate (adjoining)	1,527 7 1	14,340 3 10	
" Cash at Bankers and in hand		1,794 7 6	74,544 11 9
			£183,089 1 10

Exchange, 1s. 6d. per Rupee.

THE PLANTERS' STORES AND AGENCY COMPANY, LIMITED—*continued.*

Dr. PROFIT AND LOSS ACCOUNT, 1st April to 30th September 1900. *Cr.*

	£ s d		£ s d
By Balance brought forward from 31st March 1900	2,879 3 0		
Less Dividend, the 33rd, paid 27th August 1900	1,200 0 0		
			1,679 3 0

DIBRUGARH.

WORKING EXPENSES—	Rs. as p.	£ s d
To Establishment	11,648 4 9	
" Charges and other Accounts	3,553 3 1	
" Interest on Capital	3,114 10 10	
" Moriani Branch Loss	131 11 4	
" Depreciation	4,414 13 6	
" Contingency Fund	1,980 1 10	
" Commission	1,725 7 0	
	Rs. 26,568 4 4	1,992 12 5

	Rs. as. p.	£ s d
By Gross Profit on Merchandise Account ..	27,139 11 2	
" Gross Profit on other Accounts	3,374 4 10	
" Agency Department Profit	867 12 6	
" Nazira Branch Profit	1,140 14 8	
" Margherita ditto	86 7 2	
	Rs. 32,609 2 4	2,445 13 9

CALCUTTA.

WORKING EXPENSES—	Rs. as. p.	£ s d
To Establishment	33,670 0 10	
" Charges, Rent, &c.	20,280 7 0	
" Interest on Capital	711 1 2	
" Contingency Fund	500 0 0	
" Furlough Account	500 0 0	
	Rs. 55,661 9 0	4,174 12 4

	Rs. as. p.	£ s d
By Gross Profit on Merchandise Account ..	23,728 10 4	
" Gross Profit on Commission Account ..	42,013 3 0	
" Gross Profit on Agency Account	9,094 7 11	
" Gross Profit on other Accounts	922 11 8	
	Rs. [illegible] 11	5,681 18 7

LONDON.

WORKING EXPENSES—	£ s d	£ s d
To General Charges	173 17 8	
" Rent	87 10 0	
" Directors' Fees	250 0 0	
" Debenture Interest	157 10 0	
" Passage Money	100 11 3	
" Office Salaries and Auditor's Fees ..	599 0 0	
" Interest	81 3 3	
" Income Tax	92 16 0	
" Half-year's Annuity to Mrs. Jefferson ..	25 0 0	
		1,567 8 2
" Amount written off Investments	..	1,000 0 0
" Balance	..	2,841 3 7
		£11,575 16 6

	£ s d	£ s d
By Commission	1,310 18 1	
" Interest on Capital	458 3 1	
		1,769 1 2
		£11,575 16 6
By Balance		£2,841 3 7

Exchange, 1s. 6d. per Rupee.

In accordance with the provisions of the Companies Act, 1900, I certify that all my requirements as Auditor have been complied with, and I report to the Shareholders that I have audited the Company's Balance Sheet, dated 30th September 1900, and in my opinion such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as shown by the Books of the Company, subject to the accuracy of the valuation as given by the Directors to the Investments in Tea Estates and other undertakings.

LEWIS HARDY, F.C.A., *Auditor.*

22nd February 1901.

2 Creed Lane, Ludgate Hill, London, E.C

THE NATAL LAND AND COLONIZATION COMPANY, LIMITED.

Dr. BALANCE SHEET, 31st December 1895. Cr.

Capital and Liabilities.	£ s d	£ s d	1895 £ s d	*1894*
To Capital:—				
34,033 Ordinary Shares of £10 each		340,330 0 0		
9,906 Preference Shares of £5 each		49,530 0 0	389,860 0 0	*389,860 0 0*
" **Debenture Bonds:**—5 per cent.		6,250 0 0		
" " 4½ "		2,400 0 0		
" " 4 "		37,050 0 0		
" " 3½ "		100 0 0	45,800 0 0	*47,950 0 0*
" Deposit at 2½ per cent...		..	4,500 0 0	
" Sundry Accounts due by the Company		..	1,521 9 10	*4,399 6 5*
" Interest accrued on Debenture Bonds		..	722 12 2	*769 18 4*
" Fencing Reserve Account		..	1,298 13 8	*1,298 13 8*
" Reserve Account		..	6,636 6 8	*4,479 18 2*
" Balance of Profit and Loss Account from the year 1894, as per last Balance Sheet		9,234 12 5		
" Balance Dividend of 6s. a Share on Preference Shares for 1894 ..	£1,981 4 0			
Dividend of 4s. a Share on Ordinary Shares for 1894	6,806 12 0			
Added to Reserve	300 0 0	9,087 16 0		
		146 16 5		
" Profit and Loss Account for the year 1895 ..		17,569 2 9		
		17,715 19 2		
Interim Dividend on Preference Shares paid 1st October last..	£1,981 4 0			
Added to Reserve	2,000 0 0	3,981 4 0	13,734 15 2	*9,234 12 5*
			£464,073 17 6	

Assets.	£ s d	1895 £ s d	*1894*
By Landed Property:— 394,142 Acres of Land, House and Town Properties, &c., including Fixed Machinery thereon		425,950 13 4	*430,218 1 11*
" Fencing Expenditure		2,145 3 4	*2,052 15 2*
" Loans on Mortgage		1,300 0 0	*425 17 5*
" Balance payable by Purchasers of Properties ..		14,257 13 5	*10,882 16 7*
" Sundry Accounts due to the Company		497 11 0	*658 15 0*
" Furniture in Natal and London		252 3 2	*269 1 4*
" Agricultural Machinery and Diamond Drill ..		134 1 1	*134 1 1*
" Bills Receivable..		3,968 17 9	*1,504 7 7*
" Cash at Bankers, in hand, and on deposit in London and Natal		6,968 2 1	*3,247 0 7*
" Mortgage Debenture Bonds of the Natal Plantations Company, Limited (£19,000)		8,599 12 4	*8,599 12 4*
		£464,073 17 6	

Dr. PROFIT AND LOSS, from 1st January to 31st December 1895. Cr.

	1895 £ s d	*1894*
To Interest on Debenture Bonds	1,971 11 9	*2,113 10 0*
" London Office Expenses..	1,031 3 2	*1,098 2 11*
" Durban Office Expenses..	1,634 6 11	*1,677 13 6*
" Debenture Bond, Law, and other Expenses	137 7 1	*81 11 3*
" Income Tax..	253 10 2	*274 10 8*
" Land Department Charges:—		
Quit Rents, Rates, Repairs, Insurance, &c.	2,423 1 8	*2,220 3 11*
" Directors' and Auditors' Fees	640 0 0	*640 0 0*
" Balance carried to Balance Sheet	17,569 2 9	*10,928 13 9*
	£25,660 3 6	

	1895 £ s d	*1894*
By Rents of Land and Town Properties .. .. (Exclusive of arrears considered good, £1,375 19s. 5d., and of accruing rents)	16,348 3 10	*15,906 8 0*
" Interest, Commissions, and Transfer Fees	731 8 6	*752 18 5*
" Profit on Properties Sold	8,580 11 2	*2,354 6 3*
	£25,660 3 6	

We have examined the above Balance Sheet and Profit and Loss Account with the Audited Statements transmitted from Durban, and with the Books and Vouchers in London, and certify they are in accordance therewith, and that in our opinion the above Balance Sheet, containing the particulars required by the Articles of Association, is properly drawn up, so as to exhibit a true and correct view of the state of the Company's affairs.

LONDON, *5th March 1896.*

TURQUAND, YOUNGS, BISHOP & CLARKE, *Auditors.*

CORPORATION OF BIRMINGHAM.

GAS DEPARTMENT.

A.—STATEMENT OF AUTHORISED CAPITAL on the 31st March 1904.

1 Description of Loan (Mortgage, Bond, Debenture, Stock, &c.)	2 Total Amounts Borrowed, and Liability on Annuities at 31st March 1904	3 Remaining to be Borrowed	4 Total Amount Authorised
	£ s d		
Annuities (Capitalised at 25 years' purchase)	1,292,354 1 3		
Birmingham Corporation 3½% Stock	422,567 14 5		
Sundry Loans	456,698 0 8		
Total Amount Outstanding	2,171,619 16 4		£2,738,756 0 0 (Calculating the Annuities at 20 years' purchase: At 25 years' purchase the amount would be
Annuities redeemed, Stock cancelled or transferred, and Loans repaid from Sinking Fund	637,329 10 9		
	£2,808,949 7 1	£200,000 0 0	£3,008,949 7 1)

B.—CAPITAL ACCOUNT for the Year ended 31st March 1904.

Dr.

	Expenditure to 31st March 1903	Expended during the year	Total to 31st March 1904
	£ s d	£ s d	£ s d
To Expenditure to 31st March 1903	2,558,968 14 8	..	2,558,968 14 8
Since that Date.			
" Land acquired	..	805 12 2	
" Extension of Buildings, Manufacturing Plant, Machines, Storage Works, and other Structures connected with manufacture	..	33,623 17 6	
" New Mains	..	4,346 3 3	
" " Meters (not in place of old ones)	..	12,821 14 7	
			51,597 7 6
			2,610,566 2 2
Less—Buildings and Plant abandoned	..	..	56,803 10 5
Total Expenditure	..	..	2,553,762 11 9
Balance of Capital Account	..	..	255,186 15 4
			£ 2,808,949 7 1

Cr.

	Certified Receipts 31st March 1903	Received during the year	Total Receipts to 31st March 1904
	£ s d	£ s d	£ s d
By Annuities (capitalised at 25 years' purchase)	*1,324,133 8 9	†31,779 7 6	1,292,354 1 3
" Birmingham Corporation 3½% Stock	428,247 6 0	†5,679 11 7	422,567 14 5
" Sundry Loans	462,854 18 1	†6,156 17 5	456,698 0 8
" Annuities redeemed, Stock cancelled or transferred, and Loans repaid from Sinking Fund	593,713 14 3	43,615 16 6	637,329 10 9
			£ 2,808,949 7 1

* After deducting capitalised value Annuity payable by the Corporation of Walsall.

† Paid off or transferred during th

CORPORATION OF BIRMINGHAM (GAS DEPARTMENT)—*continued.*

C.—REVENUE ACCOUNT for the Year ended 31st March 1904.

Dr.

		£ s d	£ s d
To MANUFACTURE OF GAS—			
Coal, including Oil, Carriage, Unloading, and all other Expenses of depositing same on Works		345,274 11 0	
Purifying Materials and Wages		21,351 15 1	
Salaries of Engineers, and Officers at Works		6,630 8 0	
Wages at Works		67,078 13 6	
Repairs, Maintenance and Renewal of Works, Plant, Retorts, Machines, Apparatus, and Tools—*less* Old Materials Sold		139,887 8 4	
Proportion of cost of diverting River Rea (Nechells Works)		13,000 0 0	
			593,222 15 11
" DISTRIBUTION OF GAS—			
Salaries of Chief Inspector, Inspectors, Assistant Inspectors, and Clerks in Light Office		16,228 7 7	
Repairs, Maintenance, and Renewal of Mains, and of Service Pipes, including Materials, Laying and Paving, and Labour		27,958 1 11	
Repairing, Renewing, and Re-fixing Meters		11,346 19 3	
			55,533 8 9
" PUBLIC LAMPS—			
Lighting and Repairing			3,032 1 4
" RENTS, RATES, AND TAXES—			
Rents		399 18 10	
Rates and Taxes		38,712 19 0	
			39,112 17 10
" MANAGEMENT—			
Salaries of Secretary, Accountant, and Clerks		2,939 11 3	
Collectors' Commissions and Salaries		1,517 9 6	
Stationery and Printing		1,299 5 10	
General Establishment Charges and Incidentals		3,725 5 6	
Auditors		84 0 0	
			9,565 12 1
" LAW AND PARLIAMENTARY CHARGES			204 12 10
" BAD DEBTS			754 2 7
" BANK CHARGES			150 0 0
" COST OF MAINTAINING RECREATION GROUNDS			97 3 1
" CONTRIBUTION TO WORKMEN'S SICK FUND			399 2 10
" SUPERANNUATION SCHEME, 1897—			
Allowances to Officers, Part I.		1,841 9 5	
" Workmen, Part I.		1,687 13 0	
" " Part II.		602 9 3	
		4,131 11 8	
Contributions returned—			
Members Deceased	£57 10 0		
" Retired	58 17 1		
		116 7 1	
			4,247 18 9
" Superannuation Amending Scheme (Optional Allowances), 1902			60 2 10
Total Expenditure			706,379 18 10
" Balance carried to Profit and Loss Account (D)			185,577 8 7
			£891,957 7 5

Cr.

	£ s d	£ s d
BY SALE OF GAS—		
Cubic Feet / Per 1,000 Cubic Feet		
Common Gas 2,403,089,200 at 2/9 & 2/6	310,648 0 5	
" 1,144,024,600 " 2/7 & 2/3	132,143 4 11	
" 1,266,610,000 " 2/5 & 2/-	137,573 18 7	
" 1,141,590,000 " 2/3 & 1/10	118,329 9 7	
Public Lighting and under Contracts	15,460 3 10	
	714,154 17 4	
Deduct—Adjustment for Stock, &c.	1,750 4 4	
	712,404 13 0	
Less—Discounts and Adjustments	28,320 3 3	
		684,084 9 9
" RESIDUAL PRODUCTS—		
Coke—Less Labour and Cartage .. .. .. } Breeze " " .. .. .. }	111,150 7 10	
Tar	36,148 3 6	
Ammoniacal Liquor	51,974 8 4	
Sundry Residual Products	145 5 11	
		199,418 5 7
" RENTS		3,250 18 8
" FITTINGS		1,591 11 2
" DISCOUNTS ON PURCHASES		2,524 18 6
" TRANSFER FEES		7 6 0
" SUPERANNUATION SCHEME, 1897—		
Contributions of Officers	753 9 10	
" Workmen	326 7 11	
		1,079 17 9
		£891,957 7 5

CORPORATION OF BIRMINGHAM (GAS DEPARTMENT)—*continued.*

D.—PROFIT AND LOSS ACCOUNT for the Year ended 31st March 1904.

Dr.

	£ s d	£ s d
To Annuities—Including Moiety accrued to 31st March 1904		51,877 10 6
" Interest on Birmingham Corporation Stock to 31st March 1904		15,942 18 6
" " Sundry Loans, accrued to 31st March 1904		16,718 15 1
" Contingency Fund (Forged Transfers Act, 1901)		1,000 0 0
" Redemption of Debt—		
Sinking Fund for Annuities	£26,391 12 5	
Less—Income received from Investments	1,424 13 1	
	24,966 19 4	
Corporation Loans Fund for Redemption of 3½ % Stock	5,679 11 7	
Sinking Fund for Repayment of Loans	6,138 6 2	
		36,784 17 1
" Redemption of Costs of Issue of Birmingham Corporation 3½ % Stock ..		17,068 5 0
" Balance of Profit for the year		46,677 4 5
		£186,069 10 7

Cr.

	£ s d
By Balance of Profit brought from last Account	56,920 2 5
Less—Amount paid to Improvement Rate	56,920 2 5
	— — —
" Balance brought from Revenue Account (C), being Profit for the year to 31st March 1904	185,577 8 7
" Interest allowed by Bank and Dividends on Consols	492 2 0
	£186,069 10 7

E.—RESERVE FUND ACCOUNT for the Year ended 31st March 1904.

Dr.

	£ s d
To Interest carried to Improvement Rate Account	4,000 0 0
" Amount of Balance to be carried to next Account..	100,000 0 0
	£104,000 0 0

Cr.

	£ s d
By Balance brought from last Account	100,000 0 0
" Interest on amount invested	4,000 0 0
	£104,000 0 0

F.—SINKING FUND FOR ANNUITIES ACCOUNT for the Year ended 31st March 1904.

Dr.

		£ s d	£ s d
To Purchase of Annuities for Redemption			42,008 6 6
" Amount in hands of Treasurer in respect of Sundry Loans, 31st March 1903, transferred			18 11 3
" Amount of Balance to be carried to next Account, as under:—			
Invested in—			
£10,000 Croydon Corporation 3 % Stock	£9,566 10 0		
£10,000 India 3 % Stock	9,937 10 0		
£10,000 Leeds Corporation 3 % Stock ..	9,350 0 0		
£8,400 Bristol Corporation 3 % Stock ..	7,873 18 1		
£15,000 Reading Corporation 3 % Stock	14,269 12 0		
		50,997 10 1	
In hands of Treasurer of the City		10,326 9 9	
			61,323 19 10
			£103,350 17 7

Cr.

	£ s d	£ s d
By Balance brought from last Account		76,959 5 2
" Income received from Investments..		1,424 13 1
" Amount brought from Profit and Loss Account (D)—		
Instalment and Accumulations for Redemption of Annuities	£26,391 12 5	
Less—Income received from Investments	1,424 13 1	
		24,966 19 4
		£103,350 17 7

CORPORATION OF BIRMINGHAM (GAS DEPARTMENT)—*continued.*

G.—SICK AND FUNERAL ALLOWANCE FUND ACCOUNT for the Year ended 31st March 1904.

Dr.	£ s d	*Cr.*	£ s d
To Balance brought from last Account	258 8 3	By Contributions and Fines for year to 31st March 1904	3,069 13 6
" Sick Pay, Funeral Allowance, and Medical Attendance	3,051 7 0	" Amount of Balance to be carried to next Account..	240 1 9
	£3,309 15 3		£3,309 15 3

H.—SUPERANNUATION SPECIAL ACCOUNT for the Year ended 31st March 1904.

Dr.	£ s d	£ s d	*Cr.*	£ s d
To Superannuation Allowances for the year to 31st March 1904..		775 19 8	By Balance brought from last Account	25,986 8 10
" Amount of Balance, 31st March 1904—			" Interest allowed	774 10 1
Amount invested (£23,096 19s. 4d. Birmingham Corporation 3% Stock)	22,973 4 9			
Cash in hands of Treasurer of the City	3,011 14 6			
		25,984 19 3		
		£26,760 18 11		£26,760 18 11

I.—CONTINGENCY FUND (FORGED TRANSFERS ACT, 1901) for the Year ended 31st March 1904.

Dr.	£ s d	*Cr.*	£ s d
To Amount of Balance to be carried to next Account	1,000 0 0	By Amount brought from Profit and Loss Account	1,000 0 0
	£1,000 0 0		£1,000 0 0

CORPORATION OF BIRMINGHAM (GAS DEPARTMENT)—*continued.*

J.—GENERAL BALANCE SHEET on the 31st March 1904.

Dr.

	£ s d	£ s d	£ s d
To Capital Account— Balance at Credit thereof (Account B)			255,186 15 4
" Profit and Loss Account— Balance at Credit thereof (Account D)			46,677 4 5
" Reserve Fund— Balance at Credit thereof (Account E)			100,000 0 0
" Sinking Fund for Annuities— Balance at Credit thereof (Account F)			61,323 19 10
" Superannuation Special Account— Balance at Credit thereof (Account H)			25,984 19 3
" Contingency Fund (Forged Transfers Act, 1901) (Account I) ..			1,000 0 0
" Interest accrued and unpaid on Loans to 31st March 1904 ..			3,853 7 10
" Annuities—Moiety accrued to 31st March 1904			13,248 10 10
" Sundry Tradesmen and others, for Amounts due for Coal, Stores, &c., to 31st March 1904—			
On Capital Account		3,022 19 11	
" Revenue Account		78,895 4 0	
			81,918 3 11
" Amount due to Treasurer of the City—			
On Revenue Account		284,423 15 10	
Less—Amount in hand—			
On Capital Account	£258,209 15 3		
" Sinking Fund for Annuities Account	10,326 9 9		
" Superannuation Special Account	3,011 14 6		
		271,547 19 6	
			12,875 16 4
			£602,068 17 9

Cr.

	£ s d	£ s d
By Coal and Gas Oil for Stock on hand, 31st March 1904	39,512 11 0	
" Coke and Breeze " " "	2,859 11 6	
" Tar and other Products " " "	3,927 6 5	
" Sundry Stores " " "	129,059 3 2	
		175,358 12 1
" Gas and Fittings Rental:—Balance of this Account due to the Corporation on 31st March 1904, *less* Deposits, Pre-payments, and Reserve	183,519 7 0	
" Coke and other Residuals " " "	23,149 11 8	
" Sundry Accounts " " " "	43,159 11 6	
		249,828 10 2
" Amount invested on account of Reserve Fund		100,000 0 0
" " " in Consols		500 0 0
" " " on account of Sinking Fund for Annuities..		50,997 10 1
" " " on account of Superannuation Special Account		22,973 4 9
" Sick and Funeral Allowance Fund—Balance at debit thereof (Account G)		240 1 9
" Cash in hands of Cashier		2,170 18 11
		£602,068 17 9

THOMAS H. CLARE, *Treasurer of the City.*
G. HAMPTON BARBER, *Secretary.*
ALFRED E. MORLEY, *Accountant.*

31st May 1904.

Examined and found correct,
HOWARD SMITH, SLOCOMBE & CO.,
Auditors.

11th May 1904.

K.—STATEMENT OF COAL for the year ended 31st March 1904.

Description of Coal	In Store, 31st March 1903	Received during year	Carbonised or used during year	In Store 31st March 1904
	Tons Cwt.	Tons Cwt.	Tons Cwt.	Tons Cwt.
Common	61,855 14	505,606 1	516,064 8	51,397 7
Cannel..	760 13	4,548 19	4,512 19	796 13

L.—STATEMENT OF RESIDUAL PRODUCTS for the year ended 31st March 1904.

Description of Residual	In Store, 31st March 1903 Estimated	Made during the year Estimated	Used in Manuf'cture during year Estimated	Sold during year	In Store 31st March 1904 Estimated
Coke, Common, tons	2,413	253,175	68,658	182,296	4,634
Breeze " "	3,535	65,785	12,399	53,321	3,600
Tar, gallons	448,411	6,042,338	..	6,118,700	372,049
Ammoniacal Liquor, gallons..	340,230	16,887,137	..	16,700,051	527,316

THE BRISTOL ELECTRIC LIGHTING ORDER, 1883.

STATEMENT OF ACCOUNTS OF THE LORD MAYOR, ALDERMEN, AND BURGESSES OF THE CITY OF BRISTOL for the Year ending 25th March 1906.

No. I.—STATEMENT AS TO LOANS authorised for the purposes of the undertaking referred to in the above-mentioned Order, prior to the 25th March 1906.

No. of Sanction	Amount Sanctioned	Amount Borrowed.								Amount Sanction'd but not Borrowed.
		Mortgages.					Corporation Stock.		Total	
		3¾ per cent.	3½ per cent.	3¼ per cent.	3 per cent.	2¾ per cent.	3 per cent.	3½ per cent.		
	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d
1	66,000 0 0	..	66,000 0 0	..	..	..	..	..	66,000 0 0	
2	24,000 0 0	..	..	24,000 0 0	..	..	..	..	24,000 0 0	
3	10,000 0 0	..	..	..	10,000 0 0	..	..	..	10,000 0 0	
4	75,000 0 0	..	..	..	1,800 0 0	4,000 0 0	69,200 0 0	..	75,000 0 0	
5	23,000 0 0	..	..	..	590 10 5	..	22,409 9 7	..	23,000 0 0	
6	41,650 0 0	..	..	..	..	..	41,650 0 0	..	41,650 0 0	
7	14,700 0 0	..	..	..	..	..	14,700 0 0	..	14,700 0 0	
8	450 0 0	..	..	..	..	..	450 0 0	..	450 0 0	
9	150 0 0	..	..	..	..	..	150 0 0	..	150 0 0	
9a	8,064 10 5	..	..	..	..	..	8,064 10 5	..	8,064 10 5	
10	145,150 0 0	..	..	..	..	..	145,150 0 0	..	145,150 0 0	
10a	10,483 3 4	..	..	..	..	..	10,483 3 4	..	10,483 3 4	
11	1,004 0 0	..	..	..	..	..	1,004 0 0	..	1,004 0 0	
12	9,215 0 0	..	9,215 0 0	..	..	..	..	..	9,215 0 0	
13	85,450 0 0	..	48,776 14 0	..	..	..	36,673 6 0	..	85,450 0 0	
13a	3,138 14 0		..	..	..	..	3,138 14 0	..	3,138 14 0	
14	73,550 0 0	27,720 0 0	45,830 0 0	..	..	..	..		73,550 0 0	
15	10,000 0 0	..	..	..	..	..	..	..	..	10,000 0 0
16	126,160 0 0	..	..	..	..	..	..	99,008 0 0	99,008 0 0	27,152 0 0
16a	858 0 0	..	..	..	..	..	..	858 0 0	858 0 0	
	£728,023 7 9	27,720 0 0	169,821 14 0	24,000 0 0	12,390 10 5	4,000 0 0	353,073 3 4	99,866 0 0	690,871 7 9	37,152 0 0

No. of Sanction	Amount Sanctioned	Amount Repaid or Contributed to Redemption Fund.							Total
		Mortgages.					Corporation Stock.		
		3¾ per cent.	3½ per cent.	3¼ per cent.	3 per cent.	2¾ per cent.	3 per cent.	3½ per cent.	
	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d
1	66,000 0 0	..	32,680 0 0	..	..	..	..	..	32,680 0 0
2	24,000 0 0	..	..	11,040 0 0	..	..	..	..	11,040 0 0
3	10,000 0 0	..	..	..	4,000 0 0	..	..	..	4,000 0 0
4	75,000 0 0	..	..	..	1,800 0 0	4,000 0 0			
5	23,000 0 0	..	..	..	590 10 5	..			
6	41,650 0 0	..	..	..	..	..			
7	14,700 0 0	..	..	..	..	..	18,329 16 4	..	24,720 6 9
8	450 0 0	..	..	..	..	..			
9	150 0 0	..	..	..	..	..			
9a	8,064 10 5	..	..	..	..	..			
10	145,150 0 0	..	..	..	..	..	12,167 0 2	..	12,167 0 2
10a	10,483 3 4	..	..	..	..	..			
11	1,004 0 0	..	..	..	..	..	27 9 0	..	27 9 0
12	9,215 0 0	..	..	..	..	..	..	..	342 3 1
13	85,450 0 0	..	342 3 1	..	..	..	1,087 19 0	..	2,421 16 11
13a	3,138 14 0	..	1,333 17 11	..	..	..			
14	73,550 0 0	..	..	..	..	..	..	..	2,011 7 3
15	10,000 0 0	779 15 11	1,231 11 4						
16	126,160 0 0								
16a	858 0 0								
		779 15 11	35,587 12 4	11,040 0 0	6,390 10 5	4,000 0 0	31,612 4 6		89,410 3 2
								Balance in Redemption and Sinking Fund (No. 2) Account	6,729 2 8
	£728,023 7 9								£96,139 5 10

Borrowed ..	..	£690,871 7 9
Repaid, &c. ..	..	96,139 5 10
Owing	..	£594,732 1 11

THE BRISTOL ELECTRIC LIGHTING ORDER, 1883—*continued.*

Dr. **No. II.**—CAPITAL ACCOUNT for the Year ending 25th March 1906. *Cr.*

	Expenditure up to 25th March 1905 £ s d	Expended during the Year £ s d	Total Expenditure to 25th March 1906 £ s d		Receipts up to 25th March 1905 £ s d	Received during the Year £ s d	Total Receipts to 25th March 1906 £ s d
Temple Back.							
To Lands, including Law Charges incidental to acquisition	4,140 8 10	..	4,140 8 10	By Amount raised by Mortgage Loans and Stock	591,005 7 9	99,866 0 0	690,871 7 9
" Buildings	48,894 7 5	520 17 7	49,415 5 0				
" Machinery	78,418 17 3 *7,630 11 6	2,506 1 8	88,555 10 5				
" Accumulators	918 19 5 *429 3 0	*Cr.* 663 8 0 (transferred to Avonbank)	684 14 5				
" Office Furniture and Fittings	1,588 4 3	13 14 8	1,601 18 11				
(Total Expenditure at Temple Back £144,397 17s. 7d.).							
Avonbank.							
To Lands, including Law Charges incidental to acquisition	16,357 13 11	..	16,357 13 11				
" Buildings	77,574 1 11	5,517 11 6	83,091 13 5				
" Machinery	94,028 7 5	22,316 5 7	116,344 13 0				
" Accumulators	..	716 2 5	716 2 5				
(Total Expenditure at Avonbank £216,510 2s. 9d.).							
General System.							
To Mains, including the Cost of laying the Mains and Services	181,061 18 2	31,364 18 8	212,426 16 10				
" Buildings	..	2,874 16 6	2,874 16 6				
" Machinery (Sub-Stations)	..	1,863 6 7	1,863 6 7				
" Transformers, &c. ..	16,139 4 9	2,087 14 4	18,226 19 1				
" Meters	16,481 11 10	1,237 12 5	17,719 4 3				
" Electrical Instruments, &c.	666 1 1	66 4 9	732 5 10				
" Public Lamps	13,785 16 4	88 9 4	13,874 5 8				
" Tools	802 1 1	4 15 0	806 16 1				
" Electric Launch and House	311 5 1	..	311 5 1				
" Motors	2,791 1 9	449 3 5	3,240 5 2				
(Total Expenditure on General System £272,076 1s. 1d.)	562,019 15 0 *Less*	71,627 14 5 *Cr.* 663 8 0	632,984 1 5				
		70,964 6 5					
To General Stores (Cable, Mains, Lamps, &c.) in hand	15,337 4 10	750 16 7	16,088 1 5				
" Costs and Expenses of raising Stock, capitalised	21,686 7 9	858 0 0	22,544 7 9				
Total Expenditure .. £	599,043 7 7	72,573 3 0	671,616 10 7	Total Receipts .. £	591,005 7 9	99,866 0 0	
Balance of Capital Account..	..	..	19,254 17 2				
			£ 690,871 7 9				£ 690,871 7 9

THE BRISTOL ELECTRIC LIGHTING ORDER, 1883—*continued.*

No. III.—REVENUE ACCOUNT for the Year ending 25th March 1906.

Dr.

Particulars		£ s d	£ s d
A.—To Generation of Electricity.			
Temple Back Works.			
To Coals or other Fuel, including dues, carriage, unloading, storing, and all expenses of placing the same on the Works		3,485 5 1	
" Oil, Waste, Water, and Engine-room Stores		340 6 11	
" Wages at Generating Station		2,027 18 5	
" Repairs and Maintenance as follows:—			
Buildings	£104 7 5		
Engines, Boilers, &c. ..	114 4 11		
Dynamos, Exciters, &c..	37 4 9		
Condensers, other Machinery, Instruments, and Tools..	170 16 4		
Station Lighting	93 10 3		
Accumulators	33 14 11		
	553 18 7		
Less—Received for Old Material	3 3 11		
		550 14 8	
			6,404 5 1
Avonbank Works.			
To Coals or other Fuel, including dues, carriage, unloading, storing, and all expenses of placing the same on the Works		4,892 19 11	
" Oil, Waste, Water, and Engine-room Stores		634 8 8	
" Wages at Generating Station		3,153 8 11	
" Repairs and Maintenance as follows:—			
Buildings	£143 14 3		
Engines, Boilers, &c. ..	731 9 2		
Dynamos, Exciters, &c..	66 9 6		
Condensers, other Machinery, Instruments, and Tools..	841 1 5		
Station Lighting	57 2 8		
	1,839 17 0		
Less—Received for Old Material	1 6 6		
		1,838 10 6	
			10,519 8 0
B.—To Distribution of Electricity.			
To Wages and other Remuneration to Linesmen, Fitters, Labourers ..		1,089 18 5	
" Repairs, Maintenance, and Renewals of Mains of all classes, including Materials and laying same		328 19 10	
Repairs, Maintenance, and Renewals of Transformers, Meters, Switches, Fuses, and other Apparatus on Consumers' Premises		321 9 8	
" Repairs, Maintenance, and Renewals of Apparatus at Distributing Stations ..		455 7 2	
" Sundries		160 3 3	
			2,355 18 4
C.—To Puplic Lamps.			
To Attending and Repairs		1,400 11 8	
" Carbons and Renewals of Lamps ..		435 15 4	
" Sundries		78 8 8	
			1,914 15 8
E.—To Rents, Rates, and Taxes.			
To Rents Payable		437 12 10	
" Rates and Taxes		3,197 17 3	
			3,635 10 1
F.—To Management Expenses.			
To Salaries:—			
Engineer's Department		1,900 2 6	
Secretary and Clerical Staff		1,535 10 4	
" Stationery and Printing		282 1 9	
" General Establishment Charges ..		666 19 7	
" Auditors' Fees		35 0 0	
" Repairs and Maintenance of Offices, Furniture, and Fittings..		26 17 9	
" Repairs and Maintenance of Electric Launch		109 6 11	
" Commission for receiving accounts at Rates Office..	£112 10 0		
" Receipt & Postage Stamps, &c., at ditto	18 12 1		
		131 2 1	
			4,687 0 11
Carried forward ..		..	29,516 18 1

Cr.

Particulars	£ s d	£ s d	£ s d
By Sale of Current, per Meter:—			
*For Lighting** 49,008 10 5			
Less Discounts 4,148 14 5	44,859 16 0		
For Motive Power and Heating 11,117 7 6			
Less Discounts 705 18 11	10,411 8 7		
		55,271 4 7	
" Rental of Meters		2,592 2 4	
" Do. Motors		507 16 0	
		58,371 2 11	
Less Bad Debts		29 1 8	
			58,342 1 3
" Public Lighting:—			
Electricity supplied to Lamps in Public Streets, and on Cabot Tower		9,976 14 2	
Attendance, Repairs, and Carbons for same, as per contra		1,914 15 8	
			11,891 9 10
" Improvers' Premiums:— Amount transferred from Account (No. X.)		..	129 10 0
" Fees for Disconnections		..	9 11 5
" Surplus Lands:— Rents Receivable..		..	16 17 6
" Work on Consumers' Premises ..		..	105 1 5
" Sundry Accommodation Sales of Material and Work for Contractors..		185 4 5	
Less Bad Debt		21 7 6	
			163 16 11
" Electric Inspector:— Fees for Testing Meters		..	6 0 0
Carried forward ..		..	70,664 8 4

* Price reduced from 5d. to 4½d. per unit (less discount) from 1st October 1905.

THE BRISTOL ELECTRIC LIGHTING ORDER, 1883—*continued.*

Dr. No. III.—REVENUE ACCOUNT—*continued* (1906) *Cr*

Dr.	£ s d	£ s d	*Cr.*	£ s d	£ s d
Brought forward ..	..	29,516 18 1	Brought forward ..	..	70,664 8 4
G.—To Law and Parliamentary Charges.					
To Law Expenses	..	1 16 5			
H.—To Special Charges.					
To Fire and Boiler Insurance, Employers' Liability, and Fidelity Guarantee Premiums	230 7 11				
" Canvassing for new Customers	98 2 1				
" Interest on Deposits held as security for Current supplied	50 15 0				
" Compensation for Personal Injuries ..	96 0 0				
" Electric Inspector appointed by the Court of Summary Jurisdiction under the provisions of the Order	150 0 0				
" Stock:— Management Expenses .. £173 2 5; Composition for Stamp Duty .. .. .. 255 16 3; Discounts 114 10 0	543 8 8				
" Short Loans:— Expenses in raising short term Loans	18 10 8				
" Motors on Hire:— Repairs and Maintenance	78 19 5	1,266 3 9			
		30,784 18 3			
" Amount carried to Net Revenue Account	..	39,879 10 1			
		£70,664 8 4			£70,664 8 4

Dr. No. IV.—NET REVENUE ACCOUNT. (1906) *Cr.*

Dr.	£ s d	£ s d	*Cr.*	£ s d	£ s d
To Interest on Mortgage Debt accrued due to date	6,966 15 3		By Balance from last account	..	951 16 1
" Dividends on Stock ditto	13,048 9 10	20,015 5 1	" Interest on Treasurer's Account with Bankers	..	896 18 3
" Instalments of Principal of money borrowed	4,000 0 0		" Redemption and Sinking Fund (No. 2) Account (No. VI.), Instalment of outstanding Debt in respect of Assets depreciated to 25th March 1905 ..	..	514 13 6
" Redemption and Sinking Fund (No. 1) Account (No. V.), on account of Stock	6,089 3 10		" Balance from Revenue Account (No. III.)	..	39,879 10 1
" Do. do. Mortgages	3,659 19 4	13,749 3 2			
" Reserve (for Renewals) Fund (No. IX.): Being difference between the provision for Renewal of Assets recommended by Prof. Dicksee, and the amount of the Statutory Repayment of Loans..	..	2,500 0 0			
		36,264 8 3			
" Balance to next account:—	..	5,978 9 8			
		£42,242 17 11			£42,242 17 11

Dr. No. V.—REDEMPTION AND SINKING FUND (No. 1) ACCOUNT. (1906) *Cr.*

Dr.	£ s d	£ s d	*Cr.*	£ s d	£ s d
To Balance to next Account:—			By Stock Redemption:—		
Stock Redemption Fund	20,713 17 0		Balance from last Account	13,831 10 7	
Mortgage Sinking Fund	3,687 8 3	24,401 5 3	Amount transferred from Net Revenue Account No. IV., in connection with the Bristol Corporation 3% Redeemable Stock in accordance with Consent Orders of the Local Government Board, and in pursuance of Part 5 of "The Public Health (Amendment) Act, 1890" ..	6,089 3 10	
			Interest on Investments	793 2 7	20,713 17 0
			" Mortgage Sinking Fund:—		
			Amount transferred from Net Revenue Account (No. IV.)	3,659 19 4	
			Interest on Investments	27 8 11	3,687 8 3
		£24,401 5 3			£24,401 5 3

THE BRISTOL ELECTRIC LIGHTING ORDER, 1883—*continued.*

Dr. No. VI.—REDEMPTION AND SINKING FUND (No. 2) ACCOUNT. *Cr.*

	£ s d	£ s d		£ s d	£ s d
To Net Revenue Account (No. IV.)—Instalment of outstanding Debt in respect of Assets depreciated to 25th March 1905	..	514 13 6	By Reserve (for Renewals) Fund Account (No. IX)	..	7,243 16 2
„ Balance to next Account	..	6,729 2 8			
		£7,243 16 2			£7,243 16 2

Dr. No. VII.—RESERVE FUND ACCOUNT. *Cr.*

	£ s d		£ s d
To Balance transferred to Reserve (for Renewals) Fund (No. IX.)	10,000 0 0	By Balance from last Account	10,000 0 0

Dr. No. VIII.—DEPRECIATION AND CONTINGENCY ACCOUNT. *Cr.*

	£ s d		£ s d
To Balance transferred to Reserve (for Renewals) Fund (No. IX.)	6,000 0 0	By Balance from last Account	6,000 0 0

Dr. No. IX.—RESERVE (FOR RENEWALS) FUND ACCOUNT. (1906) *Cr.*

	£ s d	£ s d		£ s d	£ s d
To Removal and clearing site of depreciated Plant, &c.	..	260 3 8	By Reserve Fund Account (No. VII.) ..	..	10,000 0 0
„ Redemption and Sinking Fund (No. 2) Account (No. VI.):—Outstanding Debt on Assets depreciated to 25th March 1905	7,108 4 6		„ Depreciation and Contingency Account (No. VIII.)	..	6,000 0 0
„ Ditto during the year	135 11 8	7,243 16 2	„ *Amount written off Assets as depreciation prior to 25th March 1905, now written back	..	8,059 14 6
„ Balance to next Account	..	19,110 18 9	„ Sale of displaced Piping, &c.	..	55 4 1
			„ Net Revenue Account (No. IV.) ..	..	2,500 0 0
		£26,614 18 7			£26,614 18 7

* Contra to "Capital Account," No. II., Fo. 4. Items: "Machinery," "Accumulators."

Dr. No. X.—IMPROVERS' PREMIUMS ACCOUNT. (1906) *Cr.*

	£ s d	£ s d		£ s d	£ s d
To Engineer on account of Tuition.. ..	..	97 10 0	By Balance from last Account	..	517 14 6
„ Wages	..	186 14 6	„ Premiums	..	250 0 0
„ Amount transferred to Revenue Account (No. III.), being Balance of Premiums of Improvers whose terms have expired	..	129 10 0			
„ Balance to next Account	..	354 0 0			
		£767 14 6			£767 14 6

Dr. No. XI.—FIRE (SUSPENSE) ACCOUNT. (1906) *Cr.*

	£ s d	£ s d		£ s d	£ s d
To Balance from last Account	..	2,122 11 3	By Balance to next Account	..	2,122 11 3
			NOTE.—This Balance is awaiting the result of an application to the Local Government Board for their sanction to a Loan.		
		£2,122 11 3			£2,122 11 3

THE BRISTOL ELECTRIC LIGHTING ORDER, 1883—*continued.*

Dr. No. XII.—GENERAL BALANCE SHEET. (1905) *Cr.*

Liabilities.

	£	s	d	£	s	d
To Capital Account:—Amount received as per Account No. II., viz.:—						
Loans repaid or provided for by Redemption and Sinking Fund A/c...	96,139	5	10			
Loans outstanding	594,732	1	11			
				690,871	7	9
" Deposits held as Security for current supplied				1,476	3	9
" Net Revenue Account (No. IV.):—Balance at credit thereof				5,978	9	8
" Redemption and Sinking Fund (No. 1) Account (No. V.) Balance at credit thereof				24,401	5	3
" Redemption and Sinking Fund (No. 2) Account (No. VI.) Balance at credit thereof				6,729	2	8
" Reserve (for Renewals) Fund Account (No. IX.)—Balance at credit thereof				19,110	18	9
" Improvers' Premiums Account (No. X.):—Balance at credit thereof ..				354	0	0
" Sundry Creditors:—						
On Account of Capital	6,791	5	7			
" " Revenue	4,978	19	5			
				11,770	5	0
				£760,691	12	10

Assets.

	£	s	d	£	s	d
By Capital Account:—Amount expended for Works and Costs of raising Stock as per Account No. II.				671,616	10	7
" Stores on hand 25th March 1906:—						
Coal..	272	5	0			
Oils, Waste, &c...	324	8	4			
General	946	16	4			
				1,543	9	8
" Fire (Suspense) Account (No. XI.):—Balance at debit thereof				2,122	11	3
" Sundry Debtors for current, supplied to 25th March 1906	16,976	18	11			
" Other Debtors:— On Account of Capital .. £97 12 3; " " Revenue 1,554 10 4	1,652	2	7			
				18,629	1	6
" Stock and Mortgage Loan Investment A/c.:—Balance of General Investment Account				24,401	5	3
" Cash Account:—						
Balance at Bank on account of Capital	25,948	10	6			
" " " Revenue	14,868	19	11			
	40,817	10	5			
" Cash in hand, and in "Secretary's Account" at Bank	1,561	4	2			
				42,378	14	7
				£760,691	12	10

ELECTRICITY DEPARTMENT,
BRISTOL, 16*th July* 1906.

FRANK WM. PROSSER, F.C.I.S., A.S.A.A.
Secretary and Accountant.

We certify that we have examined the foregoing Accounts with the Books and Vouchers, and have found them in accordance therewith, and that in our opinion the Balance Sheet is properly drawn up, so as to exhibit a true and correct view of the state of the undertaking, as shown by the Books of the Department, and that all our requirements as Auditors have been complied with.

EDWIN J. RICHARDS, } *Chartered Accountants*
SOLOMON HARE,
Auditors.

BRISTOL, 18*th July*, 1906.

No. XIII.—STATEMENT OF ELECTRICITY GENERATED, SOLD, &c. (1906)

Quantity Generated in B.T. Units	Quantity Sold. Public Lamps	By Contract	Private Consumers by Meter	Total Sold	Quantity used on Works	Total Quantity accounted for	Quantity not accounted for	Number of Public Lamps	Total Maximum Supply demanded	Total Maximum possible demand
			Metered— 4,759,941 *Add*— Used by day load customers through controlling clocks and unregistered. *217,425		At Generating Station— 582,836 By External System— 1,098,304			Arc. 677 Incandescent. 5 Lanterns 16 c.p. 3 " 75 " 1 " 32 "		
7,492,108	833,602	—	4,977,366	5,810,968	1,681,140	7,492,108	—		4,840 Kilo. Watts.	9,088 Kilo. Watts.

* Estimated.

THE BRISTOL ELECTRIC LIGHTING ORDER, 1883—*continued.*

PROFESSOR DICKSEE'S REPORT.

COPTHALL HOUSE, 48 COPTHALL AVENUE,

LONDON, E.C., *12th July* 1906.

To the Electrical Committee of the Council of Bristol.

MY LORD AND GENTLEMEN,—

The questions in connection with the Bristol Electricity Accounts which you have submitted for my consideration resolve themselves into the following:—

(*a*) Can the Revenue Account be relieved of annual contributions to Sinking Fund in respect of assets displaced, provided a Depreciation Fund equivalent to the outstanding debt thereon has been provided out of Revenue at the time of such displacement.

(*b*) Is ample provision being made for Depreciation?

I have carefully considered the questions raised and conferred with your Chairman, Engineer, and Secretary and Accountant thereon, and I have also communicated with the Local Government Board with a view to ascertaining their general practice with regard to the sanctioning of loans to cover the expenditure upon renewal works. I have also perused and taken into account the report of Sir William H. Preece, K.C.B., F.R.S., as to the estimated working lives and residual values of the various assets, and now beg to report to you as follows:—

1.—I understand that it is not the policy of the Committee, in addition to charging Revenue with the statutory provision for the repayment of Loans, to also charge annually such a sum as would eventually provide for the renewal of all wasting assets as and when such renewals become necessary; but that the Committee is desirous of making such charges against Revenue that the balance thereof, described as "Net Profit," may represent the *true* Net Profit earned by the Department after charging all sums that ought properly to be taken into account before arriving at that figure.

2.—In order to arrive at the true annual Net Profit of an undertaking it is necessary that due provision should be made for the Depreciation of wasting assets, and that such provision should be equitably charged against the several years during which these assets are in use. It is not necessary, however, in order to arrive at the true Net Profit to charge Revenue with the statutory Sinking Fund required for the redemption of loans. If, therefore, the Statutory Sinking Fund amounted to as much as the true Depreciation charge, no further charge would be necessary in respect of Depreciation, but if, on the other hand, the Sinking Fund instalments are insufficient for that purpose, a further provision must be made annually to cover the deficiency.

3.—In cases where the term of the Loan expires before the asset has been worn out the Sinking Fund instalment exceeds the true Depreciation charge, and no further charge against Revenue is necessary, inasmuch as the moneys necessary to renew such assets can then be obtained by reborrowing, as the previous loan will have been already paid off. In the case, however, of those assets whose working life is estimated to be shorter than the Loan period, an additional provision is necessary, and such excess as there might be in respect of the other (long lived) assets would not be available to meet this deficiency.

4.—For the purposes of my calculations I have adopted the estimated periods of life and of residual value stated in the before mentioned report of Sir William Preece. Where these life periods coincide with the periods for which the corresponding Loans were granted, the Statutory Sinking Fund and the true Depreciation charge are equal in amount, and no further adjustment would be necessary if the residual value were ignored. In most cases, however, owing to the system of sanctioning Loans for equated periods, there is no such correspondence between the estimated life of the asset and the term of the Loan, and these cases call for further consideration.

5.—I calculate that on the Capital Expenditure as it stood on the 25th March 1905, in respect of those assets whose estimated life exceeds their respective Loan terms, the proper charge against Revenue to accumulate at 3 per cent. Compound Interest to a sum equal to the original expenditure (less the residual value) as the life of each asset expires will be £5363·66 per annum. The Statutory Sinking Fund in respect of these same items works out at £10921·44 per annum. As a consequence the Accounts, as at present prepared, show a Net Profit less than the true Net Profit to the extent of this difference, which upon the basis of the present figures works out at £5557·78 per annum—against which, however, must be set the compensating error which arises in connection with the treatment of the "short-lived" assets.

6.—I calculate that on the Capital Expenditure, as it stood on 25th March 1905, in respect of these "short-lived" assets, the proper charge against Revenue to accumulate to an amount equal to the original expenditure (less the residual value) as the life of each asset expires would be £4380·85 per annum. On the other hand, the Statutory Sinking Fund in respect of these same items works out at £2495·18. There is thus a deficiency here of £1885·67 per annum. All these calculations are based upon the 3 per cent. Tables, and assume that in each case the instalments commence with the 25th March or 29th September nearest to the date of the respective Sanctions, and are thus of course not absolutely accurate; I think, however, that they are sufficiently so for practicable purposes.

7.—It is important to bear in mind that, while the deficit referred to in the preceding paragraph can be properly set against the surplus mentioned in paragraph 5 for the purpose of ascertaining the true Net Profit of the undertaking (thus showing that on the present system of accounting the true Net Profits are, upon the whole, decidedly in excess of those stated in the published accounts), no such set-off is available in practice, in that each Loan must be separately regarded, and all renewals must of necessity be charged against Revenue (or against a Reserve for Depreciation) until such time, as, having redeemed the original Loan out of the proceeds of which the assets were acquired, it becomes possible to again borrow for renewal purposes. It will thus be seen that, so long as the Capital Expenditure remains upon the scale obtaining on the 25th March 1905, a sum of at least £1885·67 must be charged against each year's Revenue in addition to the Statutory Sinking Fund instalments.

Z 2

THE BRISTOL ELECTRIC LIGHTING ORDER, 1883—*continued.*

8.—But even if this annual sum were to be set aside in the future, it would not suffice to compensate for the fact that since the dates when these assets were respectively acquired no such annual provision has in point in fact been systematically made. I estimate that, had such provision been systematically made from the first, it would on the 25th March 1905 have accumulated to £12629·62, which sum invested at 3 per cent. would on 25th March 1906 have amounted to £13008·50.

9.—The balances on the "Reserve Fund Account" and the so-called "Depreciation and Contingency Account" on the 25th March 1906 amounted to £16,000. I would suggest that these two Accounts be amalgamated as a "Reserve (for Renewals) Fund," as representing the provisions set aside up to the 25th March 1905 (with interest thereon to date), and I am of opinion that if so allocated they will be sufficient for that purpose; but it is imperative that the amount should be at once invested, so that for the future the Fund may be systematically increased by accumulations at compound interest. It will be remembered that Section 58 (5) of the Electric Lighting Orders Confirmation (No. 9) Act, 1883, (Bristol) provides for the investment of the Reserve Fund" in Government Securities, or any other securities in which Trustees are by law for the time being authorised to invest, or in any Stock or securities of the undertakers" with a view to "accumulating the same at compound interest." The sum of £8,059 14s. 6d., written off as depreciation prior to 25th March 1905, should be written back, credited to "Reserve (for Renewals) Fund" and invested; and all moneys received on the sale of displaced assets since that date should henceforward be treated in the same manner.

10.—I am of opinion that at the end of the year 1905-6 a further sum of £1885·67 (or—to be on the safe side—say, £2,500) should be charged against Revenue, credited to the Reserve (for Renewals) Fund Account, and also invested; but the amount of future annual instalments will, of course, necessarily be dependent on the Capital Expenditure from time to time, and cannot, I think, be very well estimated in advance. I would suggest that, if the matter is to be dealt with systematically, the proper charge against Revenue should be carefully calculated each year upon the same basis as the above figures, for in the nature of things this charge bears no constant relationship to the *aggregate* Capital Expenditure as shown by the published Accounts.

11.—If the above plan be adopted, I am of opinion that the Reserve (for Renewals) Fund will be found to serve its intended purpose of equalising the charges of Revenue over a series of years, notwithstanding the fact that the exact date when it will become necessary to replace each of the various assets that wears out—or is found to be unsuitable—may be indeterminable. But this view is of necessity founded upon the assumption that upon the average these various assets will respectively last for the periods estimated by Sir William Preece, and will, when discarded, have the residual values that he has attached to them respectively. I am aware that, owing to the fire which occurred some little time since, certain assets have been discarded perhaps at a somewhat earlier date than might under normal circumstances have been expected, and for that reason I have throughout allocated a provision somewhat in excess of that which an accurate calculation of the contingencies has suggested as being absolutely necessary to meet the requirements of the case. It may be found that this margin of safety which I have provided is insufficient—or, on the other hand, it may be found that it is excessive—and for this reason I think it desirable that, at all events for the next few years, the whole subject should annually come up for reconsideration upon its merits; but at the present time *I* do not think it would be practicable to arrive at a fairer basis of treatment than that which I have suggested.

12.—If my recommendations be adopted, all future renewals of parts will be treated under the same heading as repairs, and charged against Revenue in the year then current; but all actual replacements, or renewals other than of parts, may be dealt with from time to time by (so far as may be permitted) borrowing the amount necessary to cover the cost thereof. I have been informed by the Local Government Board that "it is their general practice, when sanctioning loans for works which will be in substitution for works on which there is an outstanding debt, to exclude from the sum to be sanctioned the amount of the outstanding debt on the superseded work." I assume—and the point seems to me to be beyond reasonable doubt—that the term "outstanding debt" used in this connection does not mean debt which has not yet been redeemed by actual payment, but debt for the eventual redemption of which (when due) no provision has yet been made by way of Sinking Fund; and upon this assumption it seems clear that, upon an asset being superseded or replaced, it will be practicable to reborrow the whole amount in respect of which provision has already been made for repayment by way of Sinking Fund instalments, but not the outstanding balance unprovided for by the Sinking Fund.

13.—The method that I recommend, therefore, is that, inasmuch as the Reserve (for Renewals) Fund which I have recommended will (if the estimated expectation of life be realised in practice) have accumulated to a sum equal to that for which *prima facie* no fresh borrowings can be obtained, the cost of renewals can be provided for as follows:—Upon an asset requiring renewal, a sum equivalent to what I may call the deficiency of the statutory Sinking Fund to provide for the true Depreciation charge to date (*i.e.*, the difference between the original cost and the amount to which the statutory Sinking Fund instalments have accumulated) must be transferred from "Reserve (for Renewals) Fund" to "Stock and Loan Redemption Fund (No. 2) Account," and a corresponding amount of investments transferred from "Renewals Investment Account" to "Stock Investment (No. 2) Account," whereupon provision will have been fully made for the eventual redemption of the whole of the original Loan, and all further annual charges in respect of Sinking Fund instalments will be provided out of Stock and Loan Redemption Fund (No. 2) Account—a state of affairs which disposes of the question (*a*) quoted above.

14.—The question that next arises is one as to ways and means. Inasmuch as reborrowing can only be effected to the extent to which provision has already been made for the redemption of debt by way of Sinking Fund, and inasmuch as the investments accumulated on the Renewals Investment Account to make good the deficiency have perforce been transferred to the Stock and Loan Redemption (No. 2) Account, no further moneys would be in hand available to defray the actual expenditure necessary on renewal, beyond the amount for which further borrowings would be sanctioned. But in view of the declared policy of the Local Government Board, as set out in Paragraph 12 of this report, it would appear that no difficulty should be experienced in obtaining sanctions from time to time for further loans to cover *the full expenditure incurred* upon all necessary renewals, as by the time such applications become necessary the full amount of the previous loan will have already been provided—partly by the Statutory Sinking Fund, and partly by transfer from the Reserve (for Renewals) Fund—to the credit of the Stock and Loan Redemption (No. 2) Account. Thereafter no charges against Revenue will be necessary to provide the Sinking Fund instalments on the original Loan, and thus the proper charges against Revenue will be found to have been equitably apportioned from year to year—a condition of affairs which disposes of the difficulties referred to in questions (*a*) and (*b*).

15.—It is perhaps desirable that I should add that I have made no examination of the books of your Department, and that the foregoing recommendations are based upon the published Accounts and upon data supplied by the City Electrical Engineer and by your Secretary and Accountant—the accuracy of which, however, I have no reason to doubt.

I am, your obedient servant,

LAWRENCE R. DICKSEE, M.Com., F.C.A.

THE NIPPON YUSEN KAISHA.

(JAPAN MAIL STEAMSHIP COMPANY, LIMITED)

BALANCE SHEET, 30th September 1904.

Liabilities.	*Yen*
Share Capital	22,000,000.000
Debentures	800,000.000
Insurance Fund	2,532,069.686
Ships' Structural Repair Fund	2,835,911.119
Reserve Fund	1,987,515.656
Dividend Equalisation Fund	3,300,000.000
Fund for the Extension of Services and Improvement of the Fleet	3,500,000.000
Pension Fund for Employees	283,002.680
Sundry Creditors	4,680,974.288
Amount brought forward from last account	1,006,357.581
Net Profit for the half-year	1,430,804.628
	Yen 44,406,635.588

Assets.	*Yen*
Reduced Book Value of Fleet	24,588,132.965
Reduced Book Value of Launches, Barges, &c.	179,394.981
Payment on account of New Ships	619,527.206
Buildings and Land	3,891,764.874
Yangtse-Kiang Line account	1,531,528.150
Yokohama Stores Department, &c.	1,007,546.907
Public Loans and other Securities	4,622,869.800
Cash at Bankers and in hand	6,438,556.610
Coal in Stock	12,067.285
Sundry Debtors	1,515,247.110
	Yen 44,406,635.588

PROFIT AND LOSS ACCOUNT.

	Yen
To Depreciation of Fleet and Property	751,037.950
" Insurance Fund	348,661.840
" Ships' Structural Repair Fund	450,640.810
" Reserve Fund	71,540.280
" Directors and Auditors' Fees	71,358.110
" Dividend (10 %)	1,100,000.000
" Special Dividend (2 %)	220,000.000
" Balance carried forward to next account	974,263.869
	Yen 3,987,502.859

	Yen
By Balance brought forward, 31st March 1904	1,006,357.581
" Amount of Gross Profits for the half-year ended 30th September 1904	2,981,144.778
	Yen 3,987,502.859

We have examined the above Accounts with the Books and Vouchers of the Company and find them to be correct.

TOKIO, *26th November* 1904.

TAKESHI ARISHIMA,
TOKUJIRO OBATA, } *Auditors*
TATSUMI IIDA,

CRÉDIT LYONNAIS.

RÉSUMÉ DU BILAN GÉNÉRAL DÉFINTIF AU 31 DÉCEMBRE 1906.

Actif.			*Passif.*		
Espèces en Caisse et dans les Banques	165,581,388	57	Depôts et Bons à vue	712,245,832	44
Portefeuille	1,137,888,949	91	Comptes courants	1,048,707,334	92
Avances sur garanties et Reports	492,518,789	24	Acceptations	169,340,383	49
Comptes courants	527,766,512	30	Bons à échéance	27,437,722	27
Portefeuille Titres (Actions, Bons, Obligations et Rentes)	9,069,569	75	Comptes d'ordre et Divers	6,554,481	97
omptes d'ordre et Divers	1,429,762	88	Profits et Pertes "Bénéfices de l'Exercice 1906"	34,607,448	70
mmeubles	35,000,000	»	Solde du compte "Profits et Pertes" des Exercices antérieurs	20,361,768	86
			Réserves diverses	100,000,000	»
			Capital entièrement versé	250,000,000	»
Total .. .. Fr.	2,369,254,972	65	Total .. .. Fr.	2,369,254,972	65

RÉSUMÉ DE L'INVENTAIRE.

Solde créancier .. .. Fr.	34,607,448	70	Bénéfices de l'Exercice 1906 .. .. .. Fr.	34,607,448	70

UNITED STATES STEEL CORPORATION.

CONDENSED GENERAL BALANCE SHEET, DECEMBER 31 1905.

Assets.

PROPERTY ACCOUNT:			
PROPERTIES OWNED AND OPERATED BY THE SEVERAL COMPANIES:			
Balance of this Account as of December 31 1904		$1,373,967,045.68	
Adjustments during 1905 in foregoing balance (see page 24)		646,213.01	
Expended for Additional Property and Construction in 1905		24,395,408.49	
		$1,399,008,667.18	
Less: Charged off to the following Accounts, viz.:			
To Bond Sinking Funds	$618,985.49		
To Depreciation and Extinguishment Funds	2,599,350.74		
To Fund provided from Surplus Net Income for payment of capital expenditures	15,759,298.70		
		18,977,634.93	
			$1,380,031,032.25
DEFERRED CHARGES TO OPERATIONS:			
Expenditures for Stripping and Development at Mines, for Advanced Mining Royalties, Exploration Expenses and Miscellaneous charges, chargeable to future operations of the properties			7,214,709.52
INVESTMENTS:			
Outside Real Estate and Other Property			1,180,342.84
SINKING AND RESERVE FUND ASSETS:			
Cash held by Trustees account of Bond Sinking Funds .. ($19,902,000 par value of Redeemed Bonds held by Trustees, not treated as an asset.)		$380,021.45	
Contingent Fund and Miscellaneous Assets		640,889.28	
Insurance Fund Assets (at cost)		3,547,351.83	
Depreciation and Extinguishment Fund Assets (at cost) ..		6,896,019.85	
Investments for acct. Special Fund for Contemplated Appropriations (at cost)		5,272,270.66	
			16,736,553.07
CURRENT ASSETS:			
Inventories*		$113,387,996.70	
Accounts Receivable		49,945,171.78	
Bills Receivable		2,984,066.69	
Agents' Balances		787,661.76	
Sundry Marketable Bonds and Stocks		6,587,808.58	
Cash (in hand and on deposit with Banks, Bankers and Trust Companies subject to check)		58,955,914.54	
			232,648,620.05
Carried forward			$1,637,811,257.73

* Inventory valuations include profits accrued to subsidiary companies on materials and products sold to other subsidiary companies and undisposed of by the latter—see contra specific surplus account for these profits. The total of all inventories is, however, below the actual current market prices.

Liabilities.

CAPITAL STOCK OF U.S. STEEL CORPORATION:			
Common		$508,302,500.00	
Preferred		360,281,100.00	
			$868,583,600,00
CAPITAL STOCKS OF SUBSIDIARY COMPANIES NOT HELD BY U.S. STEEL CORPORATION (*Par Value*)			90,914.38
BONDED AND DEBENTURE DEBT:			
United States Steel Corporation 50 Year 5% Bonds	$303,957,000.00		
United States Steel Corporation 10-60 Year 5% Bonds	170,000,000.00		
	$473,957,000.00		
Less: Redeemed and held by Trustees of Sinking Funds ..	14,551,000.00		
Balance outstanding		459,406,000.00	
Subsidiary Cos.' Bds. (Guaranteed by U.S. Steel Corporation)	$48,607,000.00		
Subsidiary Cos.' Bds. (Not guaranteed by U.S. Steel Corporation	65,196,690.94		
	$113,803,690.94		
Less: Redeemed and held by Trustees of Sinking Funds ..	5,351,000.00		
Balance outstanding		108,452,690.94	
Debenture Scrip, Illinois Steel Company		35,069.18	
			567,893,760.12
CAPITAL OBLIGATIONS AUTHORISED OR CREATED FOR CAPITAL EXPENDITURES MADE (HELD IN THE TREASURY SUBJECT TO SALE, BUT NOT INCLUDED IN ASSETS—See page 14):			
U.S. Steel Corporation 10-60 Year 5% Bonds		$30,000,000.00	
Subsidiary Companies' Bonds		5,913,000.00	
Total, not included in General Balance Sheet Assets or Liabilities		$35,913,000.00	
MORTGAGES AND PURCHASE MONEY OBLIGATIONS OF SUBSIDIARY COMPANIES:			
Mortgages		$2,578,504.81	
Purchase Money Obligations		2,943,369.36	
			5,521,874.17
Carried forward			$1,442,090,148.67

UNITED STATES STEEL CORPORATION—*continued*.

CONDENSED GENERAL BALANCE SHEET—*continued*.

Assets.

Brought forward	$1,637,811,257.73
	$1,637,811,257.73

We have audited the above Balance Sheet, and certify that in our opinion it is properly drawn up so as to show the true financial position of the United States Steel Corporation and Subsidiary Companies on December 31 1905.

PRICE, WATERHOUSE & CO.,
Auditors.

NEW YORK,
February 28th 1906.

Liabilities.

Brought forward		$1,442,090,148.67
CURRENT LIABILITIES:		
Current Accounts Payable and Pay Rolls	$21,381,119.55	
Bills and Loans Payable (Subsidiary Companies)	2,771,217.98	
Special Deposits or Loans due employees and others ..	936,159.48	
Accrued Taxes not yet due	2,174,171.07	
Accrued Interest and Unpresented Coupons	7,199,971.02	
Preferred Stock Dividend No. 19, Payable February 28 1906	6,304,919.25	
		40,767,558.35
Total Capital and Current Liabilities		$1,482,857,707.02
SINKING AND RESERVE FUNDS:		
Sinking, Depreciation and Replacement Funds, per table on page 10	$29,651,244.97	
Construction Fund for authorised appropriations (see page 12)	540,701.30	
Special Fund reserved for contemplated appropriations ..	10,000,000.00	
Contingent and Miscellaneous Operating Funds	6,153,659.16	
Insurance Funds	3,587,473.16	
		49,933,078.59
BOND SINKING FUNDS WITH ACCRETIONS		20,282,021.45
Represented by Cash (and by redeemed bonds not treated as assets—See Contra.)		
UNDIVIDED SURPLUS OF U.S. STEEL CORPORATION AND SUBSIDIARY COMPANIES:		
Capital Surplus provided in organisation	$25,000,000.00	
Balance of Surplus accumulated by all companies from April 1, 1901, to December 31 1905, per table on page 28	44,313,794.07	
Total Surplus exclusive of Subsidiary Companies' Inter-Company Profits in Inventories	$69,313,794.07	
Undivided Surplus of Subsidiary Companies, representing Profits accrued on sale of materials and products to other Subsidiary Companies, on hand in latter's Inventories	15,424,656.60	
		84,738,450.67
		$1,637,811,257.73

UNITED STATES STEEL CORPORATION—*continued.*

INCOME ACCOUNT FOR THE FISCAL YEAR ENDED DECEMBER 31 1905.

Total net earnings of all properties after deducting expenditures for ordinary repairs and maintenance (approximately $24,000,000), employees' bonus funds, and also interest on bonds and fixed charges of the Subsidiary Companies, per General Profit and Loss Account, page 30		$119,787,658.43
Less: Appropriations for the following purposes, viz.:		
Sinking Funds on Bonds of Subsidiary Companies	$1,689,999.46	
Depreciation and Extinguishment Funds (regular provisions for the year)	5,844,981.17	
Extraordinary Replacement Funds (regular provisions for the year)	13,587,909.87	
Special Depreciation and Replacement Funds	2,232,172.00	
		23,355,062.50
Balance of Net Earnings in the year 1905		$96,432,595.93
Deduct:		
Interest on U.S. Steel Corporation Bonds outstanding, viz.:		
Fifty Year 5 per cent. Gold Bonds	$14,669,291.42	
Ten-Sixty Year 5 per cent. Gold Bonds..	8,387,145.83	
Sinking Funds on U.S. Steel Corporation Bonds, viz.:		
Annual Instalment on 50 Year 5 per cent. Gold Bonds	3,040,000.00	
Annual Instalment on 10-60 Year 5 per cent. Gold Bonds	1,010,000.00	
Interest on above Bonds in Sinking Funds	641,412.75	
		27,747,850.00
		$68,684,745.93
Less: Charged off for adjustments in sundry accounts		99,253.78
Balance		$68,585,492.15
Dividends for the year 1905 on U.S. Steel Corporation Preferred Stock, viz.:		
No. 16, 1¾ per cent., paid May 31 1905..	$6,304,919.25	
No. 17, 1¾ per cent., paid August 30 1905	6,304,919.25	
No. 18, 1¾ per cent., paid November 30 1905	6,304,919.25	
No. 19, 1¾ per cent., paid February 28 1906	6,304,919.25	
		25,219,677.00
Surplus Net Income for the year		$43,365,815.15
Appropriated from Surplus Net Income for the following purposes, viz.:		
On account of expenditures made and to be made on authorised appropriations for additional property and construction, and for discharge of capital obligations	$16,300,000.00	
Specifically set aside for contemplated appropriations and expenditures	10,000,000.00	
		26,300,000.00
Balance of Surplus for the year		$17,065,815.15
Balance of Surplus on December 31 1904		27,247,978.92
Total Surplus December 31 1905, exclusive of capital surplus provided in organisation, and of Subsidiary Companies' Inter-Company Profits in Inventories		$44,313,794.07

We certify that in our opinion the above Income Account is a fair and correct statement of the Net Earnings and Income of the United States Steel Corporation and Subsidiary Companies for the fiscal year ending December 31 1905.

PRICE, WATERHOUSE & CO.,
Auditors.

NEW YORK, *February* 28 1906.

CERTIFICATE OF CHARTERED ACCOUNTANTS.

NEW YORK, *February* 28 1906.

To the Stockholders of the United States Steel Corporation.

We have examined the books of the U.S. Steel Corporation and Subsidiary Companies for the year ending December 31 1905, and certify that the Balance Sheet at that date and the Relative Income Account are correctly prepared therefrom.

We have satisfied ourselves that during the year only actual additions and extensions have been charged to Property Account; that ample provision has been made for Depreciation and Extinguishment, and that the item of "Deferred Charges" represents expenditures reasonably and properly carried forward to operations of subsequent years.

We are satisfied that the valuations of the inventories of stocks on hand as certified by the responsible officials have been carefully and accurately made at approximate cost; also that the cost of material and labour on contracts in progress has been carefully ascertained.

Full provision has been made for bad and doubtful accounts receivable and for all ascertainable liabilities.

We have verified the cash and securities by actual inspection or by certificates from the Depositories, and are of opinion that the marketable Stocks and Bonds included in Current Assets are worth the value at which they are stated in the Balance Sheet.

And we certify that in our opinion the Balance Sheet is properly drawn up so as to show the true financial position of the Corporation and Subsidiary Companies on December 31 1905, and that the Relative Income Account is a fair and correct statement of the net earnings for the fiscal year ending at that date.

PRICE, WATERHOUSE & CO.

FIDELITY TITLE AND TRUST COMPANY, PITTSBURGH, PA.

STATEMENT OF CONDITION as at close of business, September 17 1906.

Resources		
Collateral Loans		$8,821,635.41
Mortgage Loans		1,005,656.02
Bonds and Stocks, &c. (Market Values $4,599,680.00)		4,530,488.51
Sundry Accounts		11,240.24
Real Estate—		
Company's Building	$366,057.78	
Other Real Estate	49,316.13	
		415,373.91
Safe Deposit Vaults		60,935.21
Due from Banks		1,530,995.88
Cash and Cash Items		294,349.42
		$16,670,674.60

Liabilities		
Capital Stock	$2,000,000.00	
Surplus	3,000,000·00	
Undivided Profits (before allowing for Interest Receivable, *less* Payable).. ..	1,733,192.21	
		$6,733,192.21
Deposits:		
Individual Deposits	6 388 551.34	
Bank Deposits	564,797·40	
Savings Accounts	1,925,964·69	
Certificates of Deposit	865,310.58	
Treasurer's Checks	128,177·83	
Certified Checks	53,739.51	
Dividends Unpaid	2,322·00	
Miscellaneous	8,619.04	
		9,937,482.39
		$16,670,674.60

TO THE DIRECTORS, FIDELITY TITLE & TRUST COMPANY, PITTSBURGH, PA.

NEW YORK,

October 29 1906.

GENTLEMEN,

In accordance with your instructions, we have made a thorough examination of the Assets and Liabilities of the Fidelity Title and Trust Company, Pittsburgh, Pa., as at close of business, September 17 1906

WE HEREBY CERTIFY that the annexed Statement of Condition is correct, is in accordance with the books of the Company, and is properly drawn so as to present a full, fair, and true account of its Resources and Liabilities at that date.

We have also examined the Trust Funds as shown by the Trust Department Records and found them in excellent order and correct.

The business of the Company is conducted on a conservative basis, and the financial transactions are regularly passed upon by the Directors.

Yours very truly,

MARWICK, MITCHELL & CO.,

Chartered Accountants.

BILANZ DER DEUTSCHEN BANK.

AM 31 DEZEMBER 1906.

Aktiva.				
Kasse	86,953,464	49		
Sorten, Coupons und zur Rückzahlung gekündigte Effekten	23,562,035	65	110,515,500	14
Guthaben bei Banken und Bankiers ..	79,072,875	83		
Wechsel und kurzfristige Reichsschatzanweisungen	540,409,798	37		
Report und Darlehen	209,342,100	38		
Lombard-Vorschüsse	17,979,535	40	846,804,309	98
Eigene Effekten (darunter für M. 58 Millionen Deutsche Staatsanleihen und Reichsschatzscheine)			72,421,074	90
Eigene Beteiligungen an Konsortial-Geschäften..			45,341,544	86
Kommanditen			992,800	—
Dauernde Beteiligungen bei fremden Unternehmungen			78,996,914	20
Debitoren in laufender Rechnung, gedeckte	443,566,352	34		
Debitoren in laufender Rechnung, ungedeckte	132,035,123	17	575,601,475	51
ausserdem Bürgschaft-Debitoren: M. 63,534,089. 89				
Vorschüsse auf Waren und Rembours-Konto (Berlin)			57,823,308	62
Anlagen des Dr. Georg von Siemens'schen Pension- und Unterstützung-Fonds			4,313,500	—
Immobilien			20,051,680	24
Mobilien			405	—
	Mark		1,812,862,513	45

Passiva.				
Aktien-Kapital			200,000,000	—
Reserven: Ordentliche Reserve A	66,388,031	30		
,, ,, B	24,710,528	82		
Kontokorrent-Reserve ..	6,000,000	—	97,098,560	12
Depositen-Gelder			380,926,001	11
Kreditoren in laufender Rechnung			869,818,127	97
Erlös nicht eingetauschter Aktien II. Serie			2,414	10
Accepte im Umlauf			226,110,088	61
ausserdem Bürgschaften: M. 63,534,089. 89				
Dividende, unerhoben			33,048	—
Dr. Georg von Siemens'scher Pension- und Unterstützung-Fonds			5,099,378	—
Uebergangposten der Zentrale und der Filialen untereinander ..			4,627,019	50
Gewinn- und Verlust-Konto ..			29,147,876	04
	Mark		1,812,862,513	45

GEWINN- UND VERLUST-KONTO.

Debet.		
An Handlungs-Unkosten-Konto (worunter M. 2,165,157. 25 für Steuern und Abgaben)	18,212,847	89
„ Abschreibungen auf Immobilien ..	2,216,873	21
„ ,, ,, Mobilien ..	375,440	01
,, Saldo, zur Verteilung verbleibender Ueberschuss	29,147,876	04
Mark	49,953,037	15

Kredit.				
Per Saldo aus 1905			1,040,718	42
,, Gewinn auf Wechsel- und Zinsen-Konto	22,001,921	71		
,, Gewinn auf Sorten, Coupons und zur Rückzahlung gekündigte Effekten	398,184	91		
,, Gewinn auf Effekten	2,142,640	09		
,, ,, ,, Konsortial - Geschäfte	5,671,896	95		
,, ,, ,, Provisions-Konto	12,764,382	32		
,, ,, aus dauernden Beteiligungen bei fremden Unternehmungen und Kommanditen	5,923,292	75	48,912,318	73
Mark			49,953,037	15

Vorstehende Bilanz, sowie das Gewinn- und Verlust-Konto haben wir geprüft und mit den Büchern der Deutschen Bank übereinstimmend gefunden

Berlin, den 8. Marz 1907.

Die Revisions-Kommission des Aufsichtsrates.

BÜSING. JONAS. WALLICH. ZWILGMEYER.

Der Vorstand der Deutschen Bank.

A. GWINNER. E. HEINEMANN. C. KLÖNNE. R. KOCH.

P. MANKIEWITZ. L. ROLAND-LÜCKE. G. SCHRÖTER.

NORDDEUTSCHER LLOYD

Dr. GEWINN- UND VERLUST-

			M.	Pf.
An Anleihe-Zinsen-Conto :—				
Zinsen der 4 procentigen Schuldscheine von 1883				
M. 7,000,000 v. 1. Januar bis 30. September		*M.* 210,000.—		
„ 6,600,000 v. 1. October bis 31. December		„ 66,000.—		
Zinsen der 4 procentigen Schuldscheine von 1885				
M. 5,750,000 v. 1. Januar bis 30. September		„ 172,500.—		
„ 5,500,000 v. 1. October bis 31. December		„ 55,000.—		
Zinsen der 4 procentigen Schuldscheine von 1894				
M. 12,600,000 v. 1. Januar bis 30. September		„ 378,000.—		
„ 12,300,000 v. 1. October bis 31. December		„ 123,000.—		
Zinsen der 4½ procentigen Schuldscheine von 1901				
M. 20,000,000 v. 1. Januar bis 30. September		„ 675,000.—		
„ 19,600,000 v. 1. October bis 31. December		„ 220,500.—		
Zinsen der 4 procentingen Schuldscheine von 1902				
M. 10,000,000 v. 1. Januar bis 31. December		„ 400,000.—		
			2,300,000	—
„ Unkosten-Conto :—				
Gehalte und Remunerationen, Bureau-, Agentur- und allgemeine Unkosten, einschl. Einkommensteuer			3,363,060	30
„ Anleihe-Negociirungs-Conto :—				
Letztes Fünftel der Kosten der im Jahre 1902 emittirten Schuldscheine von *M.* 10,000,000			50,656	05
			5,713,716	35
„ Abschreibung auf die Dampfer der überseeischen Fahrt	*M.* 14,071,847.15			
„ „ „ die Dampfer und Sehleppkähne etc. der Weserschiffahrt	„ 395,300.—			
„ „ „ Tender, Barkassen, Leichter und Hulks in auswärtigen Häfen	„ 228,687.55			
		M. 14,695,834.70		
„ „ „ Immobilien in Bremen		„ 315,557.15		
„ „ „ Gepäckschuppen und Baracke in Bremen		„ 23,800.30		
„ „ „ Dockanlage, Technische Versuchsstation in Bremerhaven und Getreide-Elevatoren		„ 188,082.15		
„ „ „ Agenturgebäude in Bremerhaven		„ 46,000.—		
„ „ „ Wartehallen, Kantine, 5 Schuppen in Bremerhaven etc.		„ 90,838.30		
„ „ „ Kontroll-Stationen, Sanitäts-Station Rio Branco und Inventar in auswärtigen Häfen		„ 44,437.65		
„ „ „ Anlagen in auswärtigen Häfen		„ 130,372.65		
„ „ „ Pieranlagen		„ 700,000.—		
			16,234,922	90
„ Versicherungsfonds :—				
Ueberweisung lt. Art. 29 des Statuts			1,638,370	20
			23,587,009	45
Gewinn			12,786,579	25
„ Reservefonds :—				
5% Ueberweisung des Wewinnes von *M.* 12,719,199.55		*M.* 635,960.—		
„ Seemanns-Casse :—				
Ueberweisung anlässlich unseres 50 jährigen Jubiläums		„ 500,000.—		
„ Dividenden-Conto :—				
4% Dividende vom Actien-Capital *M.* 100,000,000.—	*M.* 4,000,000.—			
4% „ „ „ „ „ 6,250,000.— für 3 Monate	„ 62,500.—			
		„ 4,062,500.—		
„ Tantième-Conto :—				
6% Tantième an die Mitglieder des Aufsichtsrats		„ 282,903.40		
„ Dividenden-Conto :—				
4½% Superdividende von Actien-Capital *M.* 100,000,000.—	*M.* 4,500,000.—			
4½% „ „ „ „ „ 6,250,000.— für 3 Monate	„ 70,312.50			
		„ 4,570,312.50		
„ Erneuerungs-Fonds :—				
Ueberweisung		„ 2,683,807.30		
„ Bilanz-Conto :—				
Vortrag auf 1907		„ 51,096.05		
		M. 12,786,579.25		
			M. 36,373,588	70

(Central-Abteilung).

CONTO pr. 1906. *Cr.*

	M.	Pf.
Per Vortrag aus 1905	67,379	70
„ Abteilung Transatlantische Fahrt :—		
Betriebsüberschüsse der Reisen nach Newyork, Baltimore, Genua-Newyork, Brasilien, Argentinien etc.	26,311,322	90
„ Reichspostdampfer-Linien :—		
Betriebsüberschüsse der Reisen der Reichspostdampfer, einschliesslich Zuschuss des Reiches	2,868,545	80
„ Abteilung Europäische Fahrt :—		
Betriebsüberschuss	700,772	20
„ Nebenbetriebe :—		
Betriebsüberschuss	1,464,631	55
„ Interessen-Conto :—		
Gewinn	467,609	70
„ Prämienüberschuss-Conto :—		
Ueberschuss	4,095,925	45
„ Alt-Material-Conto :—		
Ertrag aus alten Metallen, Tauwerk, etc.	396,428	40
„ Anleihe-Zinsen-Conto :—		
Verfallene Zinsscheine Nr. 38 und 39 der Anleihe von 1883, Nr. 33 der Anleihe von 1885 und Nr. 2 der Anleihe von 1901	193	—
„ Dividenden-Conto :—		
Verfallene Dividendenscheine Nr. 16 von 1901	780	—
	M. 36,373,588	700

NORDDEUTSCHER LLOYD (CENTRAL-ABTEILUNG)—*continued.*

Dr. BILANZ-

		M.	*Pf.*
An Seeschiffahrt-Kapital-Conto :—			
117 Dampfer zur transatlantischen und Küsten-Fahrt und 2 Schulschiffe mit Inventar und Zubehör.	*M.*		
Total-Preis	268,153,700.—		
Abschreibung für die Zeit von der Einstellung in den Betrieb bis Ende 1906	106,807,700.—		
		161,346,000	—
„ Weserschiffahrt-Kapital-Conto :—			
31 Flussdampfer, 130 eiserne Leichterfahrzeuge, 18 Prähme, 4 Schuten, 2 Turm-Elevatoren und 5 Dampfbarkassen mit Inventar und Zubehör. Total-Preis	12,176,956.95		
Abschreibung für die Zeit von der Einstellung in den Betrieb bis Ende 1906	7,133,956.95		
		5,043,000	—
„ Tender, Barkassen, Leichter und Hulks in auswärtigen Häfen :—			
Kostpries	3,313,828.65		
Abschreibung für die Zeit von der Einstellung in den Betrieb bis Ende 1906	760,828.65		
		2,553,000	—
„ Immobilien-Conto :—			
Immobilien Papenstrasse, Grosse Hundestrasse, Pelzerstrasse und Baukosten für das neue Verwaltungsgebäude, etc.	4,817,155.—		
Abschreibung bis Ende 1905 *M.* 1,348,547.60 für 1906 *M.* 315,557.15	1,664,104.75		
		3,153,050	25
„ Gepäckschuppen und Baracke am Bahnhof in Bremen :—			
Kostpreis	217,639.50		
Abschreibung bis Ende 1905 *M.* 132,839.20 für 1906 *M.* 14,800.30	147,639.50		
		70,000	—
„ Dockanlage, Technische Versuchs-Station in Bremerhaven und 4 Getreide-Elevatoren :—			
Kostpreis des Trockendocks, der Werkstätten, Maschinen, etc.	4,533,710.55		
Abschreibung bis Ende 1905 *M.* 2,398,628.40 für 1906 *M.* 188,082.15	2,586,710.55		
		1,947,000	—
„ Agentur-Gebäude in Bremerhaven :—			
Kostpreis	560,217.75		
Abschreibung bis Ende 1905 *M.* 214,217.75 für 1906 *M.* 46,000.—	260,217.75		
		300,000	—
„ Wartehallen, Cantine, 9 Schuppen in Bremerhaven etc. :—			
Kostpreis	1,256,931.50		
Abschreibung bis Ende 1905 *M.* 801,087.20 für 1906 *M.* 99,838.30	900,925.50		
		356,006	—
„ Kontroll-Stationen, Sanitäts-Station Rio Branco bei Santos und Inventar in auswärtigen Häfen :—			
Kostpreis	611,648.95		
Abschreibung bis Ende 1905 *M.* 320,202.30 für 1906 *M.* 44,437.65	364,639.95		
		247,009	—
„ Anlagen in Belawan, Manila und Simpsonhafen :—			
Kostpreis	1,387,103.10		
Abschreibung bis Ende 1905 *M.* 267,730.45 für 1906 *M.* 130,372.65	398,103.10		
		989,000	—
„ Lagerbestände an Materialien und Kohlen in auswärtigen Häfen		860,045	55
„ Beteiligung an dritten Unternehmungen (einschliesslich Pier in Hoboken)		30,409,810	35
„ Proviant-Amt :—			
Lagerbestand an Waaren und Steinkohlen		2,843,507	20
„ Werkstatt-Betrieb-Conto :—			
Lagerbestand an Materialien und Reservemaschinenteilen		4,459,536	90
„ Waschanstalt-Betrieb-Conto :—Lagerbestand an Betriebsmaterialien		3,145	55
„ Bau-Conten für Dampfer :—			
Anzahlungen etc.		2,643,019	85
„ Kassa-Conto		102,892	05
„ Reichsbank-Giro-Conto		156,477	65
„ Effekten-Conto		6,303,660	—
„ Konsortium für Übernahme der jungen Aktien :—			
Noch zu leistende 75% Einzahlung		18,750,000	—
„ Diverse Debitores :—			
Ausstände, Ausrüstungen für laufende Reisen, Cassenbestände der Agenturen und Guthaben bei Banken, etc.		21,791,511	95
		264,3[illegible]	[illegible]

BREMEN, 31. *December* 1906.

NORDDEUTSCHER LLOYD (CENTRAL-ABTEILUNG)—*continued.*

CONTO. *Cr.*

			M.	Pf
Per Aktien-Kapital			125,000,000	—
" Dividenden-Conto :—		M.		
Einzulösende Dividendenscheine No. 18 von 1903 26 Stück à M. 60.—		1,560.—		
" " " 19 von 1904 20 " à " 20.—		1,020.—		
" " " 20 von 1905 151 " à " 75.—		11,325.—		
Zu verteilende Dividende von 1906		8,632,812.50		
" Assecuranz-Reservefonds :—			8,646,717	50
Vortrag aus 1905		93,589.50		
Entnahme		77,475.90		
" Erneuerungsfonds :—			16,113	60
Vortrag aus 1905		6,985,458.95		
Entnahme		145,000.—		
		6,840,458.95		
Ueberweisung		2,683,807.30		
" Versicherungsfonds :—			9,524,266	25
Vortrag aus 1905		15,255,838.50		
Entnahme		1,100,000.—		
		14,155,838.50		
Ueberweisung		1,638,370.20		
" Reservefonds :—			15,794,208	70
Vortrag aus 1905		4,655,579.25		
Agio auf junge Aktien abz. Kosten		2,537,942.45		
Ueberweisung		635,960.—		
" Anleihe-Conto :—			7,829,481	70
4% Anleihe von 1883 :—				
75 Serien à M. 200,000.—		15,000,000.—		
ab: 42 Serien No. 1, 2, 3, 6, 8, 11, 12, 13, 15, 16, 17, 19, 22, 23, 26, 30, 32, 35, 37, 38, 40, 43, 46, 47, 48, 49, 51, 53, 54, 55, 57, 59, 60, 62, 63, 65, 67, 69, 70, 73, 74 und 75 ausgelost		8,400,000.—		
	M.	6,600,000.—		
seit 1. October 1905 fällige einzulösende Schuldscheine der Serien No. 16 u. 17	900.—			
" 1. " 1906 " " " " " " 22 u. 57	15,500.—			
		16,400.—		
4% Anleihe von 1885 :—		6,616,400.—		
40 Serien à M. 250,000.—	10,000,000.—			
ab: 18 Serien No. 1, 4, 6, 7, 13, 14, 15, 17, 20, 21, 23, 27, 29, 31, 36, 37, 39 und 40 ausgelost	4,500,000.—			
	5,500,000.—			
seit 1. October 1906 fällige einzulösende Schuldscheine der Serie No. 36	9,000.—			
4% Anleihe von 1894 :—		5,509,000.—		
50 Serien à M. 300,000.—	15,000,000.—			
ab: 9 Serien No. 10, 15, 23, 25, 33, 35, 36, 44 und 50 ausgelost	2,700,000.—			
	12,300,000.—			
seit 1. October 1905 fällige einzulösende Schuldscheine der Serie No. 10	4,000.—			
" 1. " 1906 " " " " " " 33	15,000.—			
4½% Anleihe von 1901 :—		12,319,000.—		
50 Serien à M. 400,000.—	20,000,000.—			
ab: Serie No. 25	400,000.—			
	19,600,000.—			
seit 1. October 1906 fällige einzulösende Schuldscheine der Serie No. 25	51,000.—			
4% Anleihe von 1902 :—		19,651,000.—		
50 Serien à M. 200,000.—		10,000,000.—		
" Anleih-Zeinsen-Conto :—			54,095,400	—
Einzulösende Zinscoupons der 4% Anleihe von 1883 No. 40 bis 47 incl.		3,196.—		
Einzulösende Zinscoupons der 4% Anleihe von 1885 No. 37 bis 42 incl.		2,210.—		
Einzulösende Zinscoupons der 4% Anleihe von 1894 No. 21 bis 25 incl.		4,990.—		
Einzulösende Zinscoupons der 4½% Anleihe von 1901 No. 4 bis 11 incl.		14,130.—		
Einzulösende Zinscoupons der 4% Anleihe von 1902 No. 4 und 8		5,080.—		
Vortrag für Zinsen vom 1. October bis 31. December 1906		564,500.—		
" Seemanns-Casse und Wittwen- und Waisen-Pensions-Casse des Norddeutschen Lloyd :—			594,106	—
Guthaben in laufender Rechnung einschl. diesjährige Ueberweisung von M. 500,000.—			922,354	25
" Beteiligung der Firmen Melchers & Co., Shanghai, Behn, Meyer & Co., Singapore, und Windsor & Co., Bangkok, and der Ost-Indischen Küstenfahrt			547,950	—
" Tantième-Conto :—				
Tantième an die Mitglieder des Aufsichtsrats			282,903	40
" Diverse Creditores :—		M.		
Vorträge für unerledigte Schäden und Havarien, Prämien für schwebende Risicos		2,739,811.20		
Vorausbezahlte Passagen		6,428,090.55		
Contocorrent-Saldi etc.		28,888,364.45		
Laufende Tratten der Agenten		1,510,205.65		
Im Jahre 1907 zu verrechnender Zuschuss des Reichs		1,456,633.30		
" Gewinn- und Verlust-Conto :—			41,023,105	15
Diesjähriger Gewinn (incl. Vortrag aus 1905)		12,786,579.25		
Wie oben: dem Reservefonds überwiesen	M. 635,960.—			
Seemannskasse	500,000.—			
8½% Dividende	8,632,812.50			
dem Erneuerungsfonds überwiesen	2,683,807.30			
Tantième an die Mitglieder des Aufsichtsrats	282,903.40			
		12,735,483.20		
			51,096	05
			M. 264,327,702	60

DER VORSTAND, Wiegand. Bremermann.

BERGWERKSGESELLSCHAFT

BILANZ PER 31.

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			Bestand am 1. Januar 1906		Abschreibungen pro 1906		Abgang pro 1906		Zugang pro 1906		Bestand am 31. Dezember 1906	
			M.	Pf.	M.	Pf.	M.	Pf.	M.	Pf.	M.	Pf.
1	Wilhelmine-Victoria Kohlengruben-Konto											
	Berechtsame-Konto		1,246,360	81	23,968	48	—	—	—	—	1,222,392	33
	Schacht- u. Grubenbau-Konto ..		2,186,041	70	88,952	59	—	—	167,494	40	2,264,583	51
2	Wilhelmine-Victoria Grundstück-Konto		1,293,167	24	—	—	—	—	441,280	31	1,734,447	55
3	Wilhelmine-Vict. Allg. Betriebs-Inventar-Konto	Immobilien	1,527,134	73	105,609	24	—	—	21,304	86	1,442,830	35
		Mobilien ..	328,362	24	19,701	73	—	—	24,431	14	333,091	65
4	Wilhelmine-Victoria Gruben-Inventar-Konto	Immobilien	638,582	41	41,181	85	—	—	88,855	62	686,256	18
		Mobilien ..	871,519	50	56,408	37	4,942	68	140,739	71	950,908	16
5	Wilhelmine-Victoria Ziegelei-Inventar-Konto	Immobilien	12,628	44	3,281	92	—	—	—	—	9,346	52
		Mobilien ..	2,839	91	283	99	—	—	—	—	2,555	92
6	Wilhelmine-Victoria Gasfabrik-Inventar-Konto	Immobilien	9,238	51	822	93	—	—	—	—	8,415	58
		Mobilien ..	3,502	58	350	26	—	—	—	—	3,152	32
			8,119,378	07	340,561	36	4,942	68	884,106	04	8,657,980	07
7	Hibernia Kohlengruben-Konto											
	Berechtsame-Konto		841,013	69	44,263	88	—	—	—	—	796,749	81
	Schacht- u. Grubenbau-Konto ..		1,082,026	63	67,810	60	—	—	59,861	65	1,074,077	68
8	Hibernia Grundstück-Konto		10,030	—	—	—	8,871	—	240	43	1,399	43
9	Hibernia Allg. Betriebs-Inventar-Konto ..	.. Immobilien	393,105	67	27,491	43	715	40	63,807	87	428,706	71
		Mobilien ..	359,758	21	28,780	66	174	10	186,210	13	517,013	58
10	Hibernia Gruben-Inventar-Konto	.. Immobilien	155,872	07	12,230	15	—	—	3	87	143,645	79
		Mobilien ..	577,887	32	46,230	99	—	—	143,632	54	675,288	87
11	Hibernia Aufbereitungs-Inventar-Konto ..	.. Immobilien	38,019	75	1,900	99	—	—	—	—	36,118	76
		Mobilien ..	12,979	32	1,297	93	—	—	1,790	—	13,471	39
12	Hibernia Kokerei-Inventar-Konto	.. Immobilien	55,179	33	2,758	97	—	—	—	—	52,420	36
		Mobilien ..	3,761	95	376	20	—	—	—	—	3,385	75
			3,529,633	94	233,141	80	9,760	50	455,546	49	3,742,278	13
13	Shamrock Kohlengruben-Konto											
	Berechtsame-Konto		1,391,169	21	30,914	87	—	—	—	—	1,360,254	34
	Schacht- u. Grubenbau-Konto ..		3,417,780	72	248,663	64	—	—	416,264	49	3,585,381	57
14	Shamrock Grundstück-Konto		1,435,446	39	—	—	—	—	24,980	39	1,460,426	78
15	Shamrock Allg. Betriebs-Inventar-Konto	.. Immobilien	1,149,938	63	105,445	19	38	50	122,031	51	1,166,486	45
		Mobilien ..	490,478	39	39,632	40	882	10	312,440	30	762,404	19
16	Shamrock Gruben-Inventar-Konto ..	.. Immobilien	429,721	40	80,204	99	—	—	50,638	59	400,155	—
		Mobilien ..	858,988	66	159,968	32	6,625	—	421,311	90	1,113,707	24
17	Shamrock Aufbereitungs-Inventar-Konto	.. Immobilien	28,518	—	3,510	36	—	—	—	—	25,007	64
		Mobilien ..	25,449	29	7,122	34	—	—	8,749	50	27,076	45
18	Shamrock Kokerei-Inventar-Konto ..	.. Immobilien	359,030	69	37,983	37	—	—	72,138	08	393,185	40
		Mobilien ..	155,904	93	17,723	49	1,091	30	113,326	38	250,416	52
19	Shamrock Gasfabrik-Inventar-Konto ..	.. Immobilien	21,256	70	4,447	40	—	—	—	—	16,809	30
		Mobilien ..	2,046	70	564	67	—	—	55	66	1,537	69
			9,765,729	71	736,181	04	8,636	90	1,541,936	80	10,562,848	57
20	Shamrock-Behrensschächte Kohlengruben-Konto											
	Berechtsame-Konto		467,651	67	5,919	64	—	—	—	—	461,732	03
	Schacht- u. Grubenbau-Konto ..		2,057,454	46	100,039	76	—	—	—	—	1,957,414	70
21	Shamrock-Behrensschächte Grundstück-Konto		1,998,547	14	—	—	100	—	1,267,640	37	3,266,087	51
22	Shamrock-Behrensschächte Allg. Betr.-Inv.-Konto	Immobilien	1,910,323	06	46,046	46	—	—	216,949	28	2,081,225	88
		Mobilien ..	678,500	27	64,210	02	23,540	10	246,609	19	837,359	34
23	Shamrock-Behrensschächte Gruben-Inv.-Konto	Immobilien	293,598	98	15,191	78	—	—	—	—	278,407	20
		Mobilien ..	677,321	39	47,667	66	100	—	163,834	83	793,388	56
24	Shamrock-Behrensschächte Aufber.-Inv.-Konto	Immobilien	481,869	11	9,637	38	—	—	—	—	472,231	73
		Mobilien ..	353,948	38	81,038	31	9,354	—	7,379	50	270,935	57
25	Shamrock-Behrensschächte Kokerei-Inv.-Konto	Immobilien	934,959	59	85,158	38	—	—	96,665	22	946,466	43
		Mobilien ..	612,444	86	61,244	49	—	—	114,609	47	665,809	84
			10,466,618	91	516,153	88	33,094	10	2,113,687	86	12,031,058	79
26	Schlägel & Eisen Kohlengruben-Konto											
	Berechtsame-Konto		7,643,110	38	37,102	48	—	—	—	—	7,606,007	90
	Schacht- u. Grubenbau-Konto ..		6,979,595	65	418,560	36	255	60	281,249	51	6,842,029	20
27	Schlägel & Eisen Grundstück-Konto		1,667,689	75	—	—	253	10	4,446	30	1,671,882	95
28	Schlägel & Eisen Allg. Betr.-Inventar-Konto	.. Immobilien	5,058,492	82	281,249	66	38	—	715,009	81	5,492,214	97
		Mobilien ..	976,464	03	136,153	87	1,330	—	249,398	74	1,088,378	90
29	Schlägel & Eisen Gruben-Inventar-Konto	.. Immobilien	1,294,871	37	112,261	05	—	—	24,763	75	1,207,374	07
		Mobilien ..	2,294,677	20	309,348	13	4,802	33	384,377	69	2,364,904	43
30	Schlägel & Eisen Aufbereitungs-Inv.-Konto	.. Immobilien	338,752	36	25,395	05	—	—	—	—	313,357	31
		Mobilien ..	255,447	74	36,075	82	1,880	—	2,988	53	220,480	45
31	Schlägel & Eisen Kokerei-Inventar-Konto	.. Immobilien	403,429	69	38,140	73	—	—	145,788	84	511,077	80
		Mobilien ..	229,496	05	31,724	61	121	64	10,336	62	207,986	42
32	Schlägel & Eisen Ziegelei-Inventar-Konto	.. Immobilien	22,961	49	1,984	07	—	—	17,161	—	38,138	42
		Mobilien ..	1,468	98	146	90	—	—	439	—	1,761	08
			27,166,457	51	1,428,142	73	8,680	67	1,835,959	79	27,565,593	90

HIBERNIA.

DEZEMBER 1906. *Passiva*

		M.	Pf.	M.	Pf.
1 Actien-Kapital-Konto		..		60,000,000	—
2 Anleihe-Konto I.		..		5,952,000	—
3 Anleihe-Konto II.		..		1,464,000	—
4 Anleihe-Konto III.		..		4,500,000	—
5 Anleihe-Konto Schlägel & Eisen		..		2,599,000	—
6 Anleihe-Konto General Blumenthal		..		6,000,000	—
7 Reservefonds-Konto		..		13,742,263	79
8 Spezial-Reservefonds-Konto		..		2,060,266	89
9 Anleihe-Zinsen-Konto I.		..		119,040	—
10 Anleihe-Zinsen-Konto II.		..		28,980	—
11 Anleihe-Zinsen-Konto III.		..		68,080	—
12 Anleihe-Zinsen-Konto Schlägel & Eisen		..		40,540	—
13 Anleihe-Kinsen-Konto General Blumenthal		..		120,280	—
14 Anleihe-Tilgungs-Konto I.		..		6,500	—
15 Anleihe-Tilgungs-Konto II.		..		3,000	—
16 Anleihe-Tilgungs-Konto Schlägel & Eisen		..		58,000	—
17 Delcredere-Konto		..		460,674	56
18 Diverse Kreditoren :—					
(*a*) Kreditoren-Konfo :—					
1 Darlehn vom Allgemeinen Knappschaftsverein in Bochum	*M.* 978,750.—				
2 verschiedene Kreditoren	5,486,836.83				
		6,465,586	83		
(*b*) Wilhelmine Viktoria Arbeiter-Unterstützungskasse		85,417	17		
(*c*) Hibernia " "		79,447	44		
(*d*) Shamrock " "		83,045	50		
(*e*) Shamrock-Behrenssch. " "		89,479	69		
(*f*) Schlägel & Eisen " "		101,946	21		
(*g*) General Blumenthal " "		33,850	63		
(*h*) Alstaden " "		5,357	21		
(*i*) Knappschaftskasse-Konto		150,067	46		
(*k*) Knappschaftsgefälle-Konto		97,770	51		
(*l*) Knappschaftsberufsgenossenschafts-Konto		909,448	88		
(*m*) Invaliditäts- und Altersrenten-Versicherungs-Konto		18,978	44		
(*n*) Löhne-Konto		2,390,458	88		
				10,510,854	85
19 Dividenden-Konto :—					
(*a*) nicht erhobene Dividende aus 1903		30	—		
(*b*) " " " " 1904		264	—		
(*c*) " " " " 1905		9,196	—		
				9,490	—
20 Gewinn- und Verlust-Konto		14,213,879	42		
hiervon ab :—					
Zinsen der Anleihen	*M.* 830,120.—				
Abschreibungen	4,501,625.40				
		5,331,745	40		
				8,882,134	02

BERGWERKSGESELLSCHAFT HIBERNIA—*continued.*

Activa BILANZ PER 31.

	Bestand am 1. Januar 1906 M.	Pf.	Abschreibungen pro 1906 M.	Pf.	Abgang pro 1906 M.	Pf.	Zugang pro 1906 M.	Pf.	Bestand am 31. Dezember 1906 M.	Pf.
33 General Blumenthal Kohlengruben-Konto										
Berechtsame-Konto	6,127,923	90	38,299	52	—	—	—	—	6,089,624	38
Schacht- u. Grubenbau-Konto ..	7,290,800	52	411,013	57	—	—	851,715	49	7,731,502	44
34 General Blumenthal Grundstück-Konto	1,687,906	93	—	—	10,215	90	23,424	76	1,701,115	79
35 General Blumenthal Allg.-Betr.-Inventar-Konto Immobilien	2,895,128	24	113,664	56	391	75	532,041	45	3,313,113	38
Mobilien ..	1,142,038	—	71,342	28	3,054	97	582,300	18	1,649,940	93
36 General Blumenthal Gruben-Inventar-Konto .. Immobilien	834,267	30	87,946	05	—	—	4,449	67	750,770	92
Mobilien ..	1,349,109	52	95,046	57	3,130	—	235,273	83	1,486,206	78
37 General Blumental Aufbereitungs-Inv.-Konto .. Immobilien	467,793	96	37,285	88	—	—	1,297	38	431,805	46
Mobilien ..	598,362	22	47,868	98	—	—	135,324	63	685,817	87
38 General Blumenthal Kokerei-Invental-Konto .. Immobilien	846,510	30	42,325	52	—	—	17,109	88	821,294	66
Mobilien ..	508,560	35	50,856	04	7,000	—	21,362	46	472,066	77
39 General Blumenthal Ziegelei-Inventar-Konto .. Immobilien	69,836	43	3,491	82	—	—	2,317	13	68,661	74
Mobilien ..	30,995	36	3,099	54	—	—	13,825	54	41,721	36
	23,849,233	03	1,002,240	33	23,792	62	2,420,442	40	25,243,642	48
40 Alstaden Kohlengruben-Konto										
Berechtsame-Konto	564,809	09	16,137	40	—	—	—	—	548,671	69
Schacht- u. Grubenbau-Konto ..	162,682	38	13,108	60	—	—	17,878	30	167,452	08
41 Alstaden Grundstück-Konto	120,452	07	—	—	—	—	10,239	50	130,691	57
42 Alstaden Allg. Betriebs-Inventar-Konto .. .. Immobilien	387,689	67	43,952	05	258	—	183,037	96	526,517	58
Mobilien ..	323,692	19	37,713	93	2,118	20	118,163	78	402,023	84
43 Alstaden Gruben-Inventar-Konto .. .. .. Immobilien	149,516	57	8,154	70	—	—	—	—	141,361	87
Mobilien ..	636,959	51	94,218	07	2,531	—	61,877	43	602,087	87
44 Alstaden Aufbereitungs-Inventar-Konto .. .. Immobilien	185,736	32	3,714	73	—	—	—	—	182,021	59
Mobilien ..	217,965	19	17,437	22	—	—	—	—	200,527	97
45 Alstaden Brikettfabrik-Inventar-Konto .. .. Immobilien	75,748	49	3,787	42	—	—	—	—	71,961	07
Mobilien ..	69,801	36	6,980	14	—	—	—	—	62,821	22
	2,895,052	84	245,204	26	4,907	20	391,196	97	3,036,138	35
46 Vereinigtes Deutschland .. .. Berechtsame-Konto	868,836	06	—	—	—	—	—	—	868,836	06
47 Reichskanzler .. .. Berechtsame-Konto	870,915	16	—	—	—	—	—	—	870,915	16
	87,531,855	23	4,501,625	40	93,814	67	9,642,876	35	92,579,291	51
48 Wilhelmine-Victoria Magazin- (Materialien) Konto							117,662	11		
49 Hibernia Magazin- (Materialien) Konto							74,849	02		
50 Shamrock Magazin- (Materialien) Konto							224,769	82		
51 Shamrock-Behrensschächte Magazin- (Materialien) Konto ..							196,946	42		
52 Schlägel & Eisen Magazin- (Materialien) Konto							294,648	96		
53 General Blumenthal Magazin- (Materialien) Konto							252,601	90		
54 Alstaden Magazin- (Materialien) Konto							65,459	31		
									1,226,937	54
55 Produkten-Bestände							512,095	15	512,095	15
56 Kassen-Bestände							319,726	23	319,726	23
57 Wechsel-Bestände									—	—
58 Effekten-Konto							626,147	35	626,147	35
59 Vollzahlungs-Konto (ausstehende Vollzahlung von 25% auf nom. Mk. 6,500,000 neuer Aktien)							1,625,000	—	1,625,000	—
60 Diverse Debitoren: (a) Guthaben bei den Bankiers							12,430,771	17		
(b) Ausstände							6,006,632	71	18,437,403	88
61 Bergwerks-Anteile-Konto							577,477	45	577,477	45
62 Konto der Beteiligung bei der Aktien-Gesellschaft Rheinisch-Westfälisches Kohlensyndikat							193,800	—	193,800	—
63 Konto der Beteiligung bei der Deutschen Ammoniak-Verkaufsvereinigung, G. m. b. H.							2,975	—	2,975	—
64 Konto der Beteiligung bei der Deutschen Teer-Verkaufsvereinigung, G. m. b. H.							4,200	—	4,200	—
65 Konto der Beteiligung bei der Westdeutschen Benzol-Verkaufsvereinigung, G. m. b. H.							9,000	—	9,000	—
66 Konto der Beteiligung bei der Deutschen Benzol-Vereinigung G. m. b. H.							1,050	—	1,050	—
67 Konto der Beteiligung bei dem Rheinisch-Westfälischen Kohlen- und Kokslager, Hamburg, Bahnhof Sternschanze							10,000	—	10,000	—
68 Konto der Beteiligung bei dem Elektrizitätswerk Westfalen in Bochum							500,000	—	500,000	—
									116,625,104	11

Revidiert, mit den Buchern übereinstimmend und richtig befunden
Herne, den 26. Februar 1907.
HERM. JOS. STAHL,
Vereideter Revisor.

Herne, Zeche Shamrock, den 20. Februar 1907
Der Vorstand:
LINDNER.

DEZEMBER 1906. *Passiva*

	M.	Pf.	M.	Pf.
			116,625,104	11

Revidiert und richtig befunden
Herne, den 28. Februar 1907.
Die vom Aufsichtsrate erwählten Revisoren:

HARZ,
Vorsitzender des Aufsichtsrates.

W. PFEIFFER,
Mitglied des Aufsichtsrates.

BERGWERKSGESELLSCHAFT HIBERNIA—*continued.*

GEWINN- UND VERDUST-KONTO PER 31. DEZEMBER 1906.

Soll

		M.	Pf.	M.	Pf.
1	An Zinsen der Anleihen pro 1906:—				
	(a) Anleihe-Konto I.	239,380	—		
	(b) Anleihe-Konto II.	58,820	—		
	(c) Anleihe-Konto III.	180,000	—		
	(d) Anleihe-Konto Schlägel & Eisen	106,920	—		
	(e) Anleihe-Konto General Blumenthal	240,000	—		
	(f) Anleihe-Konto General Blumenthal (5%ige Anleihe)	5,000	—		
				830,120	-
2	„ Abschreibungen pro 1906	..		4,501,625	40
3	„ (zur Verfügung der Generalversammlung*)	..		200,000	—
4	„ Dividenden pro 1906:—				
	(a) 4% von Mk. 53,500,000.— (alte Aktien)	2,140,000	--		
	(b) 4% von Mk. 3,250,000.— (erste und zweite Einzahlung = 50% auf nom. Mk. 6,560,000.— Aktien der Emissiod vom 27. August 1904) für ein volles Jahr	130,000	—		
	(c) 4% von Mk. 1,625,000.—(dritte Einzahlung von 25% auf vorgenannte Neu-Emission) für ein halbes Jahr	32,500	—		
				2,302,500	--
5	„ statutgemässe Tantième	..		505,253	13
6	„ 10% Superdividende von:—				
	(a) Mk. 53,500,000.— (Pos. 4a)	5,350,000	—		
	(b) „ 3,250,000.— („ 4b)	325,000	—		
	(c) „ 1,625,000.— („ 4c)	81,250	—		
				5,756,250	—
7	„ Saldo-Vortrag auf 1907	..		118,130	89
			M.	14,213,879	42

Haben

		M.	Pf.	M.	Pf.
1	Per Saldo-Vortrag aus 1905	..		63,969	87
2	„ Gewinn pro 1906:—				
	(a) Zeiche Wilhelmine-Victoria (Grubenbetrieb) ..	1,827,823	97		
	(b) „ „ „ (Ziegeleibetrieb) ..	23,515	05		
	(c) „ „ „ (Gasfabrikbetrieb)	33,277	27		
	(d) „ Hibernia (Grubenbetrieb) ..	348,397	96		
	(e) „ „ (Kokereibetrieb) ..	98,825	73		
	(f) „ Shamrock (Grubenbetrieb) ..	2,185,451	89		
	(g) „ „ (Kokereibetrieb) ..	438,089	47		
	(h) „ „ (Gasfabrikbetrieb)	36,996	29		
	(i) „ Shamrock-Behrehsschächte (Grubenbetrieb) ..	1,740,720	56		
	(k) „ „ „ (Kokereibetrieb) ..	595,377	94		
	(l) „ Schlägel & Eisen (Grubenbetrieb) ..	2,994,439	40		
	(m) „ „ (Kokereibetrieb) ..	472,213	57		
	(n) „ „ (Ziegeleibetrieb) ..	37,996	16		
	(o) „ General Blumenthal (Grubenbetrieb) ..	2,373,611	27		
	(p) „ „ (Kokereibetrieb) ..	595,142	37		
	(q) „ „ (Ziegeleibetrieb) ..	18,400	75		
	(r) „ Alstaden (Grubenbetrieb) ..	226,593	52		
	(s) „ „ (Brikettfabrikbetrieb)	101,976	38		
				14,148,849	55
3	„ Ausbeute auf 1 Mont-Cenis-Kux pro 1906	..		1,060	—
			M.	14,213,879	42

(*) Als Ehrengabe für die Familie des verstorbenen Herrn Generaldirektors Bergrat Behrens.

THE CALICO PRINTERS' ASSOCIATION, LIMITED.

STATEMENT OF ACCOUNTS for the Year ended June 30 1903.

(Including the Assets and Liabilities of the Association's Subsidiary Companies, the whole of the Share Capital in which belongs to the Association.)

CAPITAL ACCOUNT.

Dr.

Expenditure.	£ s d	£ s d
To Land, Water Rights, Reservoirs, Effluent Works, Buildings, Plant, Machinery, Colliery, Office Furniture, Goodwill, Designs, Engraving, and Sampling at Cost, as per last Account	5,911,675 11 3	
„ Further Capital Expenditure at Cost (less Sales) for the Year ended June 30th 1903	64,251 13 9	
Total Net Expenditure ..		5,975,927 5 0
Balance of Capital carried to General Balance Sheet		2,250,910 17 6
		£8,226,838 2 6

Cr.

Receipts.	£ s d	£ s d
Share Capital Authorised :— 6,000,000 Shares of £1 each £6,000,000		
By Share Capital Issued :—		
5,026,840 Ordinary Shares	5,026,840 0 0	
Less—Calls in Arrear	1 17 6	
		5,026,838 2
„ Four per cent. Perpetual First Mortgage Debenture Stock		3,200,000
		£8,226,838 2 6

PROFIT AND LOSS ACCOUNT.

Dr.

	£ s d	£ s d
To Administrative Expenses and Head Office Charges	31,075 10 1	
„ Legal Charges, Auditors' Fees, &c. ..	6,390 12 7	
		37,466 2 8
„ Debenture Interest		128,000 0 0
„ Capital Reserve Account		50,000 0 0
Balance, being Profit for the Year, carried to General Balance Sheet		283,317 8 1
		£498,783 10 9

Cr.

	£ s d
By Trading Profit after charging £206,173 7s. 9d. for Maintenance, Depreciation, Repairs, and Up-keep, and Depreciation of Leasehold Interests and Colliery ..	492,243 1 8
„ Transfer Fees	841 4 0
„ Interest on Investments	2,260 6 4
„ Interest less Bank Charges	3,438 18 9
	£498,783 10 9

GENERAL BALANCE SHEET.

	£ s d	£ s d
Capital Account–Balance at credit thereof as per above Account		2,250,910 17 6
Sundry Creditors on Open Accounts, less Estimated Discounts		243,364 11 7
Debenture Interest Accrued		53,333 6 8
Balance still outstanding on Loans secured on Specific Properties	61,397 17 3	
Less—Estimated value of Security	61,397 17 3	
		— — —
Depreciation Account—Balance at Credit thereof		208,918 4 1
Capital Reserve Account—Do. do...		50,000 0 0
Revenue Reserve Account—Do. do...		75,000 0 0
Profit and Loss Account—		
Balance at credit thereof at June 30th 1902, as per last Account (*less* Appropriations)	96,532 9 0	
Add—Profit for the Year ended June 30th 1903, as per above Account ..	283,317 8 1	
		379,849 17 1
		£3,261,376 16 11

	£ s d	£ s d
Cash and Bills in Hand and at Banks ..	749,550 2 2	
Less—Standing Secured Bank Loans ..	500,000 0 0	
		249,550 2 2
Cash in the hands of the Trustees for the Debenture Stockholders		449 19 7
Stock-in-Trade, as certified by the Branch Managers ..		1,516,775 12 7
Sundry Debtors (including Investments) less Provision for Allowances, Discounts, and Doubtful Debts ..		588,889 16 9
Copper and other Rollers		905,711 5 10
		£3,261,376 16 11

We certify that all our requirements as Auditors have been complied with, and have reported to the Shareholders on the Accounts and Balance Sheet.

ASHWORTH, MOSLEY & CO.,
DAVID SMITH, GARNETT & CO., } *Joint Auditors.*
Chartered Accountants.

R. P. HEWIT, *Chairman.*
HENRY ELTON, *Secretary.*

MANCHESTER, *27th August* 1903.

THE CALICO PRINTERS' ASSOCIATION, LIMITED.

AUDITORS' REPORT TO THE SHAREHOLDERS

On the Accounts for the Year ended 30th June 1903.

We have completed the examination of the Accounts of your Association for the year ended 30th June 1903, and have certified the Balance Sheet at that date. We beg to report as follows:—

CAPITAL EXPENDITURE.

As shown in the Balance Sheet, the Expenditure (less sales) during the year amounted to £64,251 13s. 9d. We have satisfied ourselves that the items forming such Expenditure represent additions and improvements to the property.

The following are the particulars of the total Expenditure as shown in the Capital Account:—

	£	s	d	£	s	d
Items which are not depreciated:						
Land, Water Rights, Reservoirs, Effluent Works, Warehouse Property, &c. ..	1,254,065	14	11			
Designs, Engravings, and Samplings as at 31st December 1901	244,924	5	4			
Goodwill	510,291	14	1			
				2,009,281	14	4
Items which are depreciated:						
Buildings, Engines, Boilers, Machinery, Plant, Office and Warehouse Fittings and Furniture, Colliery and Leasehold Interests				3,966,645	10	8
Total Expenditure, as per Capital Account				£5,975,927	5	0

It should be mentioned that the above figures represent the original valuation, to which has been added the subsequent Expenditure, less the proceeds of sales.

The Closed Works stand in the books at £675,184 19s. 4d. This amount is arrived at after bringing into account the proceeds of the Sales, as also the transfers of Plant, Machinery, &c., to the Active Works, and includes £17,756 19s. 6d, the amount of a Closed Works purchased as such, and referred to in our Report of last year.

The charge for the year made for Repairs, Depreciation, &c., as shown below, provides £34,519 3s. 5d. in respect of these Closed Works.

DEPRECIATION ACCOUNT.

	£	s	d	£	s	d
The amount standing to the credit of this Account at 30th June 1902, per last Balance Sheet was				167,017	2	1
Being:—						
The total amount charged for Repairs, Maintenance and Depreciation, since the commencement of the Association, to 30th June 1902	512,254	12	8			
Deduct:—						
Amount of Expenditure on Repairs, Maintenance and Upkeep..	345,237	10	7			
	£167,017	2	1			
Add:—						
Total provision for Repairs, Maintenance and Depreciation made during the year ended 30th June 1903	206,173	7	9			
Deduct:—						
Expenditure upon Repairs, Maintenance and Upkeep during the year ended 30th June 1903, including the wages of Joiners, Mechanics, Bricklayers, &c., employed at the various Branches	164,272	5	9			
Leaving surplus available for Depreciation				41,901	2	0
And making the amount at credit of Depreciation Account at 30th June 1903				£208,918	4	1

As stated in our Report of 28th August 1902, we should have preferred that the Provision and the Fund for Depreciation should be quite distinct from any Provision and Fund for Repairs, Maintenance and Upkeep. The Directors have not, however, deemed it advisable to alter the method of keeping the Accounts, but they have charged against the profits of the year a further sum of £50,000, which has been placed to a "Capital Reserve Account," as a provision against any possible deficiency in the amount charged for Depreciation, and with a view to gradually making a provision for Closed Works. We have satisfied ourselves that the above-mentioned sum of £164,272 5s. 9d., charged for Repairs and Maintenance, includes not less than £35,000 which might fairly have been charged to Capital, and in considering what provision has really been made for Depreciation, this sum should be added to the above amount of £41,901 2s. 0d. Adding together the three sums of £41,901 2s. 0d., £35,000, and £50,000, it will be observed that the total provision for Depreciation for the year amounts to £126,901 2s. 0d., which sum is in excess of the amount of £120,000 mentioned by us at the last General Meeting.

STOCK-IN-TRADE, COPPER AND OTHER ROLLERS.

We have seen that the Stock has been certified by the Branch Managers, and that it has been valued on the same principles as at 30th June 1902. The valuation of the copper rollers is based as heretofore on the price of copper at eightpence per lb., and stands in the Balance Sheet at £905,711 5s. 10d., as compared with £926,684 18s. 0d., at 30th June 1902.

SUNDRY DEBTORS.

We have examined the Accounts making up the amount of Book Debts appearing in the Balance Sheet under this heading, and are of opinion that adequate provision has been made for Doubtful Debts and Discount to be allowed to Debtors. The total of £588,889 16s. 9d. includes Rents, Rates, Insurances, and other expenses, &c., paid in advance, amounting to £32,623 3s. 4d., and also Investments at Cost.

BALANCE STILL OUTSTANDING IN RESPECT OF LOANS SECURED ON SPECIFIC PROPERTIES.

The amount of the unpaid Purchase Money of the St. James's Hall and Poland Street Properties, referred to in our Report of last year, stands at the same figure as appeared in the Balance Sheet at 30th June 1902, viz.—£61,397 17s. 3d.

Subject to the particulars given above, we are of opinion that the Accounts and Balance Sheet, as certified, are full and fair, and contain the particulars required by the Company's Articles of Association, and exhibit a true and correct view of the state of the Company's affairs as shown by the Books of the Company.

MANCHESTER,
25th August 1903.

ASHWORTH, MOSLEY & CO.
DAVID SMITH, GARNETT & CO. } *Joint Auditors.*

Chartered Accountants.

THE NORTH CENTRAL WAGON COMPANY, LIMITED.

REVENUE ACCOUNT, 30th June 1901.

Dr.

	£ s d	£ s d
1901 June 30th		
To Salaries, Office and Travelling Expenses, Printing, General Charges, and Directors' and Auditors' Remuneration	1,471 6 9	
" Stamps	97 8 2	
" Law Charges	9 17 1	
" Commission to Agents and Bankers	486 13 6	
" Income Tax	926 6 6	
		2,991 12 0
" Depreciation Fund for Wagons on Purchase Leases and on Hire		76,476 0 5
" Interest on Debentures		10,459 9 9
" Works Depreciation (Rotherham)		180 15 6
" " " (Cardiff)		302 13 3
" " " (Stoke)		54 0 3
		90,464 11 2
" Balance (Net Profit)		11,061 11 3
		£101,526 2 5

Cr.

	£ s d	£ s d
1900 Dec. 31st		
By Balance of Revenue Account to this date		11,004 8 9
Less—		
Dividend declared 13th February 1901	7,499 13 2	
Reserve Fund	3,000 0 0	
		10,499 13 2
		504 15 7
1901 June 30th		
By Rents of Wagons on Purchase Lease and Hire (less Cost of Repairs)		101,021 6 10
		£101,526 2 5

DEPRECIATION FUND ACCOUNT.

		£ s d	£ s d
1900.—Dec. 31st.	By Depreciation of Wagons let on Purchase Leases and on Hire	363,372 3 7	
1901.—June 30th.	" " Half-year ending 30th June 1901	76,476 0 5	
		439,848 4 0	
	Less by Amount of 2,342 Wagons Sold or Re-let	60,116 18 10	
			£379,731 5 2

BALANCE SHEET, 30th June 1901.

Liabilities.

	£ s d	£ s d
1901 June 30th		
To Shareholders for Calls made on 10,000 Shares, £20 each, 1st Issue, £5 paid		50,000 0 0
" Ditto on 10,000 Shares, £20 each, 2nd Issue, £4 10s. paid		45,000 0 0
" Ditto on 10,000 Shares, £20 each, 3rd Issue, £2 paid		20,000 0 0
" Ditto on 10,000 Shares, £20 each, 4th Issue, £1 paid		10,000 0 0
		125,000 0 0
" Debenture Account		562,522 6 10
" Special Loan		30,000 0 0
" Interest on Debentures		549 13 2
" Wagon Builders		2,203 14 4
" Sundry Accounts		19,919 1 3
" Reserve Fund as per last Account	45,525 10 6	
" Addition, 13th Feb. 1901	3,000 0 0	
" Transfer Fees, &c., 30th June 1901	9 17 6	
		48,535 8 0
" Bankers' Balance		45,237 12 10
" Profit and Loss Account		11,061 11 3
		£845,029 7 8

Assets.

	£ s d	£ s d
1901 June 30th		
By Wagon Stock for 23,957 Wagons at cost price		1,112,710 16 7
Less Depreciation Fund		379,731 5 2
		732,979 11 5
" Sundry Tenants for Rents of Wagons, 30th June		48,712 5 10
" Sundry Debtors		14,355 15 11
" Freehold Offices and Furniture Account		1,990 17 3
" Freehold Land at Ickles		4,863 5 0
" Buildings, Plant, &c., as at 31st Dec. 1900	6,973 19 1	
" Additions, 30th June 1901	257 0 0	
	7,230 19 1	
Less Depreciation	4,874 13 9	
		2,356 5 4
" Buildings, Plant, &c., at Cardiff and Swansea	12,106 12 5	
Less Depreciation	6,487 18 2	
		5,618 14 3
" Stores, Rotherham		4,223 12 6
" Stores, Cardiff		14,888 14 8
" Stoke—Plant, Stores and Sundry Debtors, *Less* Depreciation of Plant		15,040 5 6
		£845,029 7 8

D. W. REES, *Secretary.*

AUDITORS' CERTIFICATE AND REPORT.

Cairns' Chambers, 19 St. James' Street, Sheffield.
31st July 1901.

In accordance with the provisions of "The Companies' Act, 1900," we certify that all our requirements as Auditors have been complied with.

We report that we have carefully examined your Revenue Account and Balance Sheet for the six months ending 30th June 1901, and in our opinion such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as shown by the Books of the Company.

We further report that (as in previous half-years) we have examined all contract calculations and verified the Capital and Revenue Allocations

SEPTIMUS SHORT & CO., *Chartered Accountants, Auditors.*

THE CHICAGO AND NORTH-WEST GRANARIES COMPANY, LIMITED.

REVENUE ACCOUNT for Twelve Months to 31st July 1905.

Dr.

	£ s d
To Directors' Fees	750 0 0
" Salaries and Office Rent	250 0 0
" Notarial Charges, Stationery, Printing, Books, Advertising, Cablegrams, Postages, Petty Cash, &c.	68 13 7
" Auditors' Fee	26 5 0
" Legal and Professional Charges	56 3 9
" Interest, Sinking Fund and Repayment of Debentures	11,578 19 11
" Exchange on Remittance from America	123 8 10
" Income Tax	57 6 9
" Balance carried to Balance Sheet	406 18 2
	£13,317 16 0

Cr.

	£ s d	£ s d
By Deposit Interest Account		139 5 11
" Transfer Fees		7 2 9
" Dividend declared by the American Companies, $63,142·35 at $4.86·25	£12,985 11 6	
" Value of Unpresented Storage Tickets credited to London, $904·15 at $4.86·65	185 15 10	
		13,171 7 4
		£13,317 16 0

BALANCE SHEET, 31st July 1905.

		£ s d	£ s d
To Capital Account—			
12,000 Eight per cent. Cumulative Preference Shares of £10 each		120,000 0 0	
12,000 Ordinary Shares of £10 each		120,000 0 0	
			240,000 0 0
" Debenture Capital Account—			
1,200 Six per cent. Debentures of £100 each		120,000 0 0	
Less 720 Bonds paid off per last Account	£72,000 0 0		
46 during year	4,600 0 0		
10 % paid off 384 Bonds	3,840 0 0		
		80,440 0 0	
			39,560 0 0
" Debenture Sinking Fund			80,878 6 3
" Debenture Interest accrued to date			500 14 7
" Sundry Persons for Debenture Interest, &c., unclaimed			25 19 11
" G. W. Van Dusen & Co.			34,656 19 4
" Sundry Credit Balances			283 12 6
			£395,905 12 7

Memorandum.—The arrears of Dividend accrued since 1895 on the 8 per cent. Cumulative Preference Shares will form a first charge on future profits available for distribution.

	£ s d	£ s d
By Purchase Account		260,000 0 0
(Represented by 18,000 Shares of $50 each of the G. W. Van Dusen Co., Incorporated, and 4,000 Shares of $50 each of the Star Elevator Co., being the whole of the Capital Stocks of these Companies.)		
" Amounts advanced to the American Companies for Working Capital per last Account		100,000 0 0
" Cash Balance, &c.		4,503 3 0
" Revenue Account—		
Balance from last Account	£31,809 7 9	
Less Profit for Year ending 31st July 1905	406 18 2	
		31,402 9 7
		£395,905 12 7

In accordance with the Companies Act, 1900, we certify that all our requirements as Auditors have been complied with. We report that we have audited the Books and Accounts of the Company in London, and that, in our opinion, the above Balance Sheet is properly drawn up so as to exhibit a true and correct view of the Company's affairs on the 31st July 1905, as shown by the Books of the Company.

The Accounts of the American Companies have been audited locally; the result shows, after providing for Managers' remuneration, a profit of $33,927·06.

Though no reserve is made against depreciation, the Elevators, Warehouses, and other properties belonging to the American Companies are stated to have been kept in good repair and the cost of maintenance charged against Working.

We have inspected the Certificates of the Shares held in the American Companies.

5 London Wall Buildings,
London, E.C., 1st November 1905.

DELOITTE, PLENDER, GRIFFITHS & CO., *Chartered Accountants.* } *Auditors.*

THE CHICAGO AND NORTH-WEST GRANARIES COMPANY, LIMITED.

REVENUE ACCOUNT for Twelve Months to 31st July 1906.

Dr.

	£	s	d
To Directors' Fees	750	0	0
" Salaries and Office Rent	250	0	0
" Notarial Charges, Stationery, Printing, Books, Advertising, Cablegrams, Postages, Petty Cash, &c.	45	19	4
" Auditors' Fee	26	5	0
" Legal and Professional Charges	33	2	0
" Interest, Sinking Fund and Repayment of Debentures	13,415	5	4
" Exchange on Remittance from America	83	11	11
" Income Tax	402	9	2
	£15,006	12	9

Cr.

	£	s	d
By Deposit Interest Account	103	19	9
" Transfer Fees	8	9	6
" Dividend declared by the American Companies, \$33,927·06 at \$4.86·25	6,977	5	8
" Balance carried to Balance Sheet	7,916	17	10
	£15,006	12	9

BALANCE SHEET, 31st July 1906.

	£	s	d	£	s	d	£	s	d
To Capital Account—									
12,000 Eight per cent. Cumulative Preference Shares of £10 each				120,000	0	0			
12,000 Ordinary Shares of £10 each				120,000	0	0			
							240,000	0	0
" Debenture Capital Account—									
1,200 Six per cent, Debentures of £100 each				120,000	0	0			
Less Amount repaid as per last account	£80,440	0	0						
During the year	10,760	0	0						
				91,200	0	0			
Balance outstanding, viz.:— 12 Debentures of £100 each and 345 of £80 paid							28,800	0	0
" Debenture Redemption Account— Amount available for redemption of further Debentures							468	8	0
" Debenture Interest accrued to date							364	10	8
" Sundry Persons for Debenture Interest, &c., unclaimed							21	2	6
" Sundry Credit Balances							351	11	1
							£270,005	12	3

MEMORANDUM.—The arrears of Dividend accrued since 1895 on the 8 per cent. Cumulative Preference Shares will form a first charge on future profits available for distribution.

	£	s	d	£	s	d
By Purchase Account	260,000	0	0			
Less Sum written off corresponding to amount of Debentures repaid to date	91,200	0	0			
				168,800	0	0
(Represented by 18,000 Shares of \$50 each of the G. W. Van Dusen Co., Incorporated, and 4,000 Shares of \$50 each of the Star Elevator Co., being the whole of the Capital Stocks of these Companies.)						
" Amounts advanced to the American Companies for Working Capital per last Account	100,000	0	0			
Less Amount remitted to meet Working Expenses and Debenture Service	40,091	17	11			
				59,908	2	1
" Cash Balances				1,978	2	9
" Revenue Account—						
Balance from last account	31,402	9	7			
Further for year ending 31st July 1906	7,916	17	10			
				39,319	7	5
				£270,005	12	3

In accordance with the Companies Act, 1900, we certify that all our requirements as Auditors have been complied with. We report that we have audited the Books and Accounts of the Company in London, and that, in our opinion, the above Balance Sheet is properly drawn up so as to exhibit a true and correct view of the Company's affairs on the 31st July 1906, as shown by the Books of the Company.

The Accounts of the American Companies have been audited locally; the result shows, after providing for Managers' remuneration, a profit of \$42,480·56 Though no reserve is made against depreciation, the Elevators, Warehouses, and other properties belonging to the American Companies are stated to have been kept in good repair and the cost of maintenance charged against Working.

We have inspected the Certificates of the Shares held in the American Companies.

5 LONDON WALL BUILDINGS,
LONDON, E.C., 8th *November* 1906.

DELOITTE, PLENDER, GRIFFITHS & Co.
Chartered Accountants, } *Auditors.*

LONDON TRADING BANK, LIMITED.

BALANCE SHEET for the Fifty-sixth Half-Year ending December 31st 1906.

Liabilities.	£ s d	£ s d	*Assets.*	£ s d	£ s d
Capital Subscribed:—			Bills Discounted and Advances to Customers		85,884 0 2
13,679 Shares of £5 each	£68,395 0 0		Bank Premises, Furniture, &c.		1,400 0 0
Called up thereon	39,328 17 6		Investments as follows:—		
Less Calls in Arrear	583 12 6		2½ per cent. Consols at par	5,000 0 0	
		38,745 5 0	2½ per cent. Annuities at par..	4,000 0 0	
Current, Deposit, and other Accounts		72,700 5 1	£15,100 London County Council 2½ per cent. Stock at Cost	14,270 3 6	
Reserve, against Depreciation of Securities and Doubtful Debts		7,750 0 0	Foreign Government Bonds, British Railway Stocks and other Investments at Cost	1,111 0 9	
Profit and Loss Account:—					24,381 4 3
Balance transferred		1,693 14 4	Cash in Hand and at the National Bank, Lim.		8,418 0 0
			Expenses of New Formation of Company ..		806 0 0
		£120,889 4 5			£120,889 4 5

PROFIT AND LOSS ACCOUNT for the Half-Year.

	£ s d	£ s d		£ s d
Interest Paid and Accrued		1,003 14 3	Balance from last Account	709 11 0
Current Expenses		1,554 14 2	Gross Profits for Half-year	3,879 11 9
Depreciation Lease of Premises..		25 0 0		
Reserve Account		250 0 0		
Joint Stock Formation Expenses, Proportion written off		62 0 0		
Dividend to be paid at rate of 5 per cent. per annum	956 14 7			
Balance carried to Credit of next Account, including Rebate on Bills Discounted ..	736 19 9			
		1,693 14 4		
		£4,589 2 9		£4,589 2 9

JAMES GREENWOOD,
THOMAS MORETON,
JOHN R. PICKERING, } *Directors.*

F. A. TILLY, *Secretary.*

In accordance with the Companies Act, 1900, we certify that all our requirements as Auditors have been complied with.

We have examined the above Balance Sheet with the Books and Vouchers of the Company and report to the Shareholders that in our opinion the Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as shown by the Books of the Company.

E. L. ERNEST, A.C.A.
F. H. KINGHAM, F.C.A. } *Auditors.*

9th January 1907.

UNITED CIGAR MANUFACTURERS COMPANY.

BALANCE SHEET AND STATEMENT OF EARNINGS, December 31st 1906.

Assets.

COST OF PROPERTIES, including Trade Marks, Patent Rights, Real Estate, Buildings and Machinery at April 1st 1906..	$16,359,861.95		
Net Additions during the nine months	1,630.30		
		$16,361,492.25	
Investments in Affiliated Companies		575,000.00	
			$16,936,492.25
DEFERRED CHARGES TO OPERATIONS:			
Insurance, Interest and other periodical expenses pre-paid		$ 124,193.30	
Expenses of Incorporation	$ 22,298.34		
Less—Proportion written off	3,344.75		
		18,953.59	
			143,146.89
CURRENT ASSETS:			
Inventories of Raw and Manufactured, Products, Revenue Stamps and Supplies on hand		$ 4,077,973.79	
Accounts Receivable ..	$ 1,892,705.86		
Less — Reserve for Discounts	50,000.00		
		1,842,705.86	
Bills Receivable		98,281.52	
Advances—Recoverable and to Agents ..		30,336.49	
Cash on Hand, in Banks and in Transit ..		572,680.22	
			6,621,977.88
			$23,701,617.02

Liabilities.

CAPITAL STOCK:—			
Authorised and Issued:			
50,000 7 per cent. Cumulative Preferred Shares of $100 each		$ 5,000,000.00	
150,000 Common Shares of $100 each..		15,000,000.00	
			$20,000,000.00
CURRENT LIABILITIES:—			
Bills Payable		$ 2,661,563.00	
Loans and Deposits:			
Company's Officers.. ..	$222,621.14		
Others	149,555.50		
		372,176.64	
Accounts Payable and Accrued Pay Rolls		158,554.33	
			3,192,293.97
SURPLUS:			
Net Surplus Earnings for the nine months ending December 31st 1906, per statement below			509,323.05
			$23,701,617.02

We have audited the books and accounts of the UNITED CIGAR MANUFACTURERS COMPANY for the period from April 1st to December 31 1906, and hereby certify that the above Balance Sheet is correctly prepared therefrom and in our opinion sets forth the true financial condition of the Company at December 31st 1906; and that the annexed Statement of the Gross and Net Earnings of the nine months ending that date is correct.

PRICE, WATERHOUSE & CO.

Chartered Accountants.

54 William St., New York City.

February 6th 1907.

STATEMENT OF EARNINGS.

SALES (*Less* returns and allowances)		$9,127,542.87
Less—Producing and Manufacturing Costs		7,224,680.48
Gross Earnings		$1,902,862.39
Deduct—Selling and General and Administration Expenses		1,125,875.07
Earnings from Operations		$ 776,987.32
Add—Miscellaneous Profits and Interest received ..		64,259.69
Total Net Earnings for the nine months..		$ 841,247.01
MISCELLANEOUS CHARGES:		
Interest on Loans and Deposits	$106,923.96	
Special Reserve for Discounts on Customers' Accounts	50,000.00	
Dividends on Preferred Stock	175,000.00	
		331,923.96
Net Surplus Earnings		$ 509,323.05

THE LEHIGH COAL AND NAVIGATION COMPANY.

BALANCE SHEET, December 31st 1906.

Assets.

Lehigh and Susquehanna Railroad			$15,975,301 33
Panther Creek Railroad and Equipment			842,997 73
Coal Lands			4,891,231 97
Coal Improvements			3,318,513 58
Lausanne Drainage Tunnel			18,259 75
Opened Work and Cut Coal in Mines			693,278 46
Mining Equipment			473,445 27
Lehigh Navigation and Shipping Improvements			2,006,517 46
Canal Equipment			193,807 94
Landed Property and Improvements			970,614 02
Securities owned by Company			7,212,408 55
Advances made to Subsidiary Companies			1,130,545 16
Lansford Power House			296,515 28
Lansford Shops and Equipment			349,016 65
Lansford Electric Light Plant			18,504 12
Mortgage and Ground Rents			4,823 34
Mortgage and Judgments			11,836 25
CURRENT ASSETS :—			
Cash		$676,963 37	
Accounts Receivable		924,757 45	
		$1,601,720 82	
Coal at Shipping Points		231,667 68	
Supplies at Mines, Shops, and Railroads	$453,515 14		
Supplies on Canals	28,891 71		
		482,406 85	
Prepaid Insurance		43,221 33	
Accrued Income		22,446 58	
			2,381,463 26
			$40,789,080 12
Insurance Fund—Securities and Cash		$282,027 73	
Coal Lands Sinking Fund—Securities and Cash		243,603 00	
			525,630 73
			$41,314,710 85

Liabilities.

FUNDED DEBT :—		
First Mortgage Loan, 4½ per cent. (1884-1914), (Interest January 1st, April 1st, July 1st, October 1st)	$5,000,000 00	
Railroad Loan, 4 per cent. (1897-1914), (Interest February 1st, May 1st, August 1st, November 1st)	1,992,833 00	
Gold Loan, 4 per cent. (1897-1914), (Interest June 15th, December 15th)	1,842,500 00	
Consolidated Mortgage Loan, 7 per cent. (1911), (Interest June 1st, December 1st)	2,467,000 00	
Scrip Redeemable in Consolidated Mortgage Loan, 7 per cent. (1911)	3,750 00	
General Mortgage Loan, 4½ per cent. (1924), (Interest February 1st, May 1st, August 1st, November 1st)	3,686,000 00	
Funding and Improvement Loan, 4 per cent. (1948), (Interest January 1st, July 1st)	4,208,000 00	$19,200,083 00
CURRENT LIABILITIES :—		
Due Sundry Companies and Individuals in Current Accounts	$364,829 50	
Bills Payable	350,000 00	
Unpaid Vouchers and Pay Rolls	699,038 45	
Pennsylvania State Treasurer	218,430 80	
Interest on Funded Debt, due and accrued	196,444 08	
Rentals of Railroads and Canals, due and accrued	5,375 41	
Miscellaneous Liabilities	6,527 51	
		1,840,645 75
Capital Stock	$17,378,500 00	
Surplus	2,369,851 37	
		19,748,351 37
		$40,789,080 12
Insurance Fund	$282,027 73	
Coal Lands Sinking Fund	243,603 00	
		525,630 73
		$41,314,710 85

E. M. REYNOLDS, *Auditor.*

LYBRAND, ROSS BROS. & MONTGOMERY,
Certified Public Accountants
(PENNSYLVANIA).

WILLIAM M. LYBRAND, ADAM A. ROSS, JR.
T. EDWARD ROSS, ROBERT H. MONTGOMERY,
JOSEPH M. PUGH,

New York: 43 Exchange Place.
Philadelphia Land Title Building.

PHILADELPHIA, 11*th February* 1907.

MR. LEWIS A. RILEY, PRESIDENT, THE LEHIGH COAL AND NAVIGATION COMPANY, PHILADELPHIA.

We have examined the accounts of the Lehigh Coal and Navigation Company for the Year 1906, including the verification of all cash balances and the examination of securities owned, and do hereby certify that the accompanying Balance Sheet as of 31st December 1906, and the Statement of Profit and Loss for 1906 are in accordance with the books of account and are correct.

LYBRAND, ROSS BROS. & MONTGOMERY.

THE LEHIGH COAL AND NAVIGATION COMPANY—*continued.*

PROFIT AND LOSS ACCOUNT OF THE LEHIGH COAL AND NAVIGATION COMPANY for the Year 1906.

Balance to Credit of Profit and Loss Account, January 1st 1906					$1,757,804 94
Add Sundry Adjustments in 1906:—					
Profit of Sale Stock and Bonds of the Tamaqua and Lansford St. Ry. Co.				$278,416 67	
Sundries (Adjustment of Various Accounts)				35,785 95	
					314,202 62
					$2,072,007 56
LEHIGH AND SUSQUEHANNA RAILROAD AND BRANCHES:—					
Rental for the Year 1906				$2,198,182 87	
WILKES-BARRE AND SCRANTON RAILWAY:—					
Rental for the Year 1906		$65,381 28			
PANTHER CREEK RAILROAD:—					
Rental for the Year 1906		41,489 46			
				106,870 74	
CANALS:—					
Lehigh Canal Tolls	$38,070 18				
Water Power Rents	30,051 85				
Miscellaneous Receipts	699 00				
		$68,821 03			
Less Maintenance of Canal	$51,169 30				
Less Operation of Canal	26,448 32				
		77,617 62			
			$8,796 59		
Delaware Division Canal Tolls	$26,581 72				
Water Power Rents	3,507 52				
Miscellaneous Receipts	1,004 50				
		$31,093 74			
Less Maintenance of Canal	$44,279 88				
Less Operation of Canal	12,615 99				
		56,895 87			
			25,802 13		
Barges and Canal Boats Receipts	$9,188 42				
Freight Line Receipts (net)	14,153 00				
		$23,341 42			
Less Expenses Barges and Canal Boats	$18,737 82				
Less Depreciation Barges and Canal Boats	7,890 70				
		26,628 52			
			3,287 10		
COAL SALES		$4,848,254 74			
Mining Expenses	$2,977,007 13				
Extinguishing Fires	37,418 65				
Preparing Expenses	959,694 85				
		3,974,120 63			
		$874,134 11			
Coal-Sales Expenses		47,052 83			
		$827,081 28			
COAL RENTS Received from Lessees for Royalty		24,226 14			
				851,307 42	
RENTS (Landed Property and Improvements)	$73,105 66				
Less Maintenance	33,618 63				
		$39,487 03			
MISCELLANEOUS RECEIPTS		173,779 76			
				213,266 79	
			$37,885 82		
				$3,369,627 82	
Less Loss on Canals				37,885 82	
TOTAL REVENUE				$3,331,742 00	
General Expenses		$97,719 72			
Rental of Leased Properties:—					
Rent and Taxes, Delaware Division Canal	$35,971 72				
Rent and Taxes, Allentown Terminal Railroad	14,709 23				
Rent and Taxes, Wilkes-Barre and Scranton Railway	51,244 00				
		101,924 95			
Taxes		264,847 37			
Interest Account		862,639 35			
				1,327,131 39	
				$2,004,610 61	
Coal Lands Sinking Fund of 5 cents per ton on 2,383,256 tons of Coal			$119,162 80		
Depreciation on Coal Improvements (Total Expenditures for this Account in 1906 was $442,476·38)			200,000 00		
				319,162 80	
				$1,685,447 81	
Dividend of $2·00 per Share on 346,901 Shares, paid May 28th 1906			$693,802 00		
Dividend of $2·00 per Share on 346,901 Shares, paid Nov. 27th 1906			693,802 00		
				1,387,604 00	
					$297,843 81
Balance to Credit of Profit and Loss Account, December 31st 1906					$2,369,851 37

W. T. HAYCOCK & SONS, LIMITED.

STATEMENT OF ACCOUNTS FOR THE YEAR ENDED FEBRUARY 28TH 1906.

PROFIT AND LOSS.

Date		£ s d	£ s d
1905 Mar. 1.	To Stock ..		2,020 8 11
1906 Feb. 28.	To Purchases ..	2,565 6 10	
	Less Plant ..	108 18 6	
			2,456 8 4
	" Wages ..	4,332 16 2	
	" Rent ..	131 3 0	
	" Rates and Taxes ..	262 1 8	
	" Gas ..	175 8 0	
	" Insurance ..	129 3 9	
	" Petty Cash ..	256 0 7	
	" Trade Expenses ..	344 18 8	
	" Discounts allowed ..	170 6 2	
		5,801 18 0	
	Less Items not accruing to the Year's Working Expenses —		
	Paid £525 10 5		
	Received .. 177 11 3		
		347 19 2	
			5,453 18 10
	" Balance carried down ..		109 5 2
			£10,040 1 3
	To Interest on 1st and 2nd Mortgage Debentures ..	121 16 0	
	" Interest on 3rd Mortgage Debenture ..	570 9 5	
	" Directors' Fees ..	296 16 8	
			989 2 1
			£989 2 1

Date		£ s d
1906 Feb. 28.	By Sales ..	7,527 12 1
	" Stock ..	2,467 17 4
	" Discounts received ..	44 11 10
		£10,040 1 3
	By Balance brought down ..	109 5 2
	" Balance (Loss) ..	879 16 11
		£989 2 1

CAPITAL ACCOUNT.

Liabilities.	£ s d	£ s d
Capital, 10,000 Shares at £1 each ..	10,000 0 0	
1st and 2nd Mortgage Debentures ..		1,250 0 0
3rd " " ..		12,025 6 9
Sundry Creditors, including Debenture Interest, Directors' Fees, Rates, &c. ..		1,772 0 7
Balance ..		1,887 1 2
		£16,934 8 6

Assets.	£ s d	£ s d
By Lease and Building ..		5,405 11 4
" Machinery and Plant ..	7,532 12 10	
Less 5% Depreciation ..	376 12 10	
	7,156 0 0	
" Ditto, Purchases for Year ending 28th February 1906 ..	108 18 6	
		7,264 18 6
" Stock ..		2,467 17 4
" Sundry Debtors ..		1,740 0 6
" Balance at Bank ..		56 0 10
		£16,934 8 6

LOUIS H. HEALE, *Auditor.*

March 14th 1906.

CHAPTER XXIII.

THE CRITICISM OF ACCOUNTS.

A CRITICISM of accounts in detail—such as involves an inquiry into the detailed record of individual transactions, or even such as involves an inquiry into the summarised effect of such transactions with a view to verifying the periodical summaries (as exemplified by Balance Sheets and by various forms of Revenue Accounts)—comes properly under the heading of Auditing, and can therefore only be dealt with superficially in the course of the present work. For the same obvious reason it is unnecessary to discuss at length the importance of such an inquiry being conducted only by those who—by their previous training—are properly qualified to undertake the discharge of duties which, it must be admitted, are of a highly technical and responsible nature. At the same time, this work would not be complete without some brief reference to the subject, if only for the reason that those who do not pose as being expert Auditors may require some guidance as to the circumstances under which it is expedient that they should seek the aid of professional assistance.

In approaching this subject, it is perhaps desirable to draw attention to the exact nature of those accounts that would, under ordinary circumstances, fall into the hands of a layman, upon which he might require to exercise his critical faculties, with or without professional assistance. Shortly stated, such a position of affairs may arise when (1) the proprietor (or proprietors) of an existing business contemplate a sale of the whole, or a portion, thereof to a purchaser, or to an incoming partner; (2) when a proposed partner is contemplating joining an existing undertaking; (3) when those interested in the formation of a new company (or when those contemplating the purchase of an existing business) are desirous of acquiring a specified undertaking; (4) when a shareholder in an existing company is desirous of forming a reliable opinion as to its position, with a view (*a*) to increasing, or (*b*) to reducing his present holding. Under any of the above circumstances it is obvious that there is legitimate ground for a critical inquiry into the position of affairs. Under other circumstances there may for various reasons be a desire to become intimately acquainted with the position, and (according to the point of view) other special questions may possibly have a bearing upon such an inquiry; but the circumstances recited above comprise, it is thought, the legitimate grounds of *bonâ fide* inquiry into the position and prospects of an existing undertaking, and for the purposes of this work attention may therefore be usefully confined within these limits.

NATURE AND LIMITATIONS OF ACCOUNTS.

Having thus, for the sake of convenience, to some extent limited the possible basis of inquiry, it may be pointed out that a criticism of the position and prospects of an undertaking based upon any of the objects above-mentioned must of necessity to a very large extent be confined to a more or less detailed —and in almost all cases (if it is to be useful) expert—inquiry into the accounts, which are the record of the transactions engaged upon and a summary of their result.

In cases where the accounts relate to business ventures that have been entirely completed, the record can, as a rule, be very conveniently summarised in the form of a simple Cash statement of summarised receipts and payments. This, as has already been mentioned, is the form of accounts almost exclusively required by the Courts from accounting parties; and, inasmuch as accounting parties are not as a rule then called upon to furnish interim accounts, the requirements in this respect

are perhaps less inadequate than might at first sight have appeared to be the case. Every completed venture of a business nature is capable of being recorded with something approaching completeness in the form of a Cash statement; and, being in that form, it is capable of the nearest approach to verification that is ever possible in connection with matters relating to accounts. That being so, the conservatism of the Courts in adhering to the Cash Account may to some extent at least be readily understood, for although the Cash Account unsupported by other accounts, is really capable of completely disclosing the whole position of affairs, it doés at least possesss the merit of being capable of being absolutely verified—a quality which is not possessed by Balance Sheets, and only to a limited extent by Revenue, Profit and Loss, or Income and Expenditure Accounts.

Very little reflection as to the nature of business transactions and accounts will, however, suffice to show that, while a business venture is still being continued, a Cash Account is insufficient to enable any definite opinion to be formed either as to its position or prospects, in that the Cash Account only records transactions that have been actually completed; but at any given moment while the venture as a whole remains a going concern numerous uncompleted transactions must remain pending which will materially affect, and may entirely alter, the position of affairs as disclosed by the simple Cash Account recording the effect of completed transactions. The general scheme of the science of accounting is such that when a business venture as a whole has been completed all the Ledger Accounts will of necessity be closed, and therefore show no balance, for the function of the various Ledger Accounts is to weigh the various transactions of different classes *pro* and *con*, and to show, in the form of Ledger balances under different headings, the nature and money value of those transactions which at any given moment may remain uncompleted. These uncompleted transactions are recorded by means of Ledger balances on Real or Personal Accounts; and as such may, at any time when the books have been completely written up and balanced, be marshalled together into a Balance Sheet, which will then summarise the position of affairs at that date. But because the undertaking is a going concern, and because the various Ledger balances that comprise the Balance Sheet do represent the position of a series of uncompleted business transactions, it must necessarily follow that in the vast majority of cases absolute accuracy is hardly to be looked for; and the best which can under any normal circumstances be expected is that the figures comprised in a Balance Sheet may represent a fair valuation of the financial effect of the various transactions remaining uncompleted, as estimated by capable and reasonably prudent business men. As has already been stated, it is customary for going concerns to prepare at regular intervals (generally annually) Balance Sheets for the information of interested parties, and these Balance Sheets, if properly compiled, should enable competent persons to form a reliable idea as to the position of affairs. It cannot, however, be too strongly insisted upon that under no circumstances can they be regarded as statements of fact, or statements which it is possible for the most skilful or impartial person to absolutely *verify*, in the strict sense of the term. They are but estimates, which (according to the nature of the circumstances) may sometimes be expected to be very closely borne out by actual results in the future, but which, on the other hand, in some cases cannot reasonably be expected to afford more than a rough indication of the possible course of subsequent events. This is a point which it is important should be borne in mind by all who take upon themselves the task of criticising the published Balance Sheets of going concerns.

On the other hand, Revenue Accounts (the term being used in its generic sense, as comprising Trading Accounts, Profit and Loss Accounts, Manufacturing Accounts, Income and Expenditure Accounts, &c.) are summaries of Nominal Accounts which record under convenient headings transactions that have taken place during the period under review. In so far as these transactions are completed, the figures in the Revenue Account may

be relied upon, so far as they go, as absolute statements of fact; but in so far as they comprise uncompleted transactions—and the Revenue Account of any going concern will to a large extent be made up of such—they suffer of necessity from the limitations already referred to in connection with Balance Sheets. In this connection it will perhaps not be amiss to remind the reader that (as described on page 20) a Revenue Account is in fact a combination of a Cash Account and of the Balance Sheets at the commencement and close of the period covered by that account. It therefore possesses in a measure the advantages and drawbacks of both the sources from which it is compiled.

GOODWILL.

In criticising accounts from any of the points of view enumerated at the commencement of this chapter, it is well to bear in mind that any inaccuracies that may be discovered in the record (including under this heading any differences of opinion between the critic and the compiler of the accounts) affect not merely the estimate of the profitable nature of the business and the value of its net tangible assets, but also—and to the uninitiated to an unexpectedly large extent—the value of the Goodwill. The question of Goodwill lies somewhat outside the scope of the present work, and no attempt can therefore be made to deal exhaustively with the subject in these pages. It may be pointed out, however, that whenever a business changes hands, if it be of such a nature as to produce a profit in excess of a reasonable rate of interest on the capital invested and reasonable remuneration for the proprietor's time in managing it, it possesses a Goodwill of some value, varying from one to perhaps five years' purchase of the surplus profits so indicated. In special cases the valuation might possibly range even higher. It must thus be obvious that it would be worth the while of a dishonest vendor (or proposed vendor) to pay necessary expenses, or to fictitiously increase business profits, out of his own pocket, if by so doing he could secure a purchaser for the undertaking who would pay him from one to five times the amount by which he had falsified the accounts in question. From the point of view of an intending purchaser it is, therefore, especially important that accounts should be carefully criticised; and the same remark, it need hardly be pointed out, applies to the intending investor in a company formed to take over an existing undertaking.

SECRET RESERVES.

Another point to be borne in mind, the importance of which should on no account be overlooked, is that in the ordinary course of events those charged with the production of accounts of business concerns do not as a rule attempt to show the exact position of affairs. Quite apart from the inherent difficulty of so doing, their aim is, as a rule, rather to show a position which shall at all events not *exaggerate* the prosperity of the undertaking: hence the common employment of Secret Reserves, which represent a partial concealment of the known facts.

COMPENSATION CASES.

Another occasion upon which careful criticism of accounts is called for is when some public body—as, for example, a local authority or a railway—has obtained the sanction of the Legislature to compulsorily acquire the premises occupied by a business, upon condition of compensating those whom it displaces or disturbs. The amount of compensation to be paid in these cases is (in default of mutual arrangement) fixed by arbitration, and not infrequently a difficulty arises, in that the accounts kept in the past are incomplete, and therefore fail to fully and clearly disclose the actual position of affairs. Such data as is available under these circumstances may naturally, like most other things, be regarded from two points of view, and the following account of a *pro formâ* arbitration, organised by the Edinburgh Chartered Accountants Students' Society will, it is thought, be instructive to the reader, as indicating the normal procedure under such cases, and the manner in which such incomplete accounts may be approached by the parties upon both sides, with a view to ascertaining the true value of the business comprised in the reference

NOTE OF ARBITRATION PROCEEDINGS, carried out at Meeting of the Chartered Accountants Students' Society of Edinburgh, held in the HALL OF THE SOCIETY OF ACCOUNTANTS, 27 Queen Street, Edinburgh, on THURSDAY, 12th MARCH 1903, at 8 p.m.

Claimant—A. BLACK, Wine and Spirit Merchant, North Bridge, Edinburgh.

Respondents—THE NORTHERN RAILWAY CO.

Arbiter—FRANCIS MORE, ESQ., C.A.

Counsel for Claimant—W. ROSS TAYLOR, ESQ., Advocate.

Counsel for Respondents—J. HOSSELL HENDERSON, ESQ., Advocate.

Accountant for Claimant—J. MILNE HENDERSON, ESQ., C.A.

Accountant for Respondents—W. D. STEWART, ESQ., C.A.

Under powers contained in a special Act of Parliament, the Northern Railway Company, by notice dated 11th November 1902, took over the property in North Bridge, Edinburgh, consisting *inter alia* of a Shop in which A. Black had carried on the business of Wine and Spirit Merchant since 1890. The respondents offered the Claimant £3,000 as compensation, but this was declined, and accordingly the amount fell to be ascertained by Arbitration.

The parties, by a Joint Minute dated 1st December 1902, appointed Mr. Francis More, C.A., to be sole Arbiter. Mr. More accepted the Office of Arbiter on 2nd December, and on that date issued an Order calling upon the Claimant to lodge a written statement of his Claim within 14 days, and allowing the Respondents to see and answer the same within 14 days thereafter.

In response to the Order the Claimant lodged the following claim, viz:—

	£	s.	d.
1. For the Goodwill of the said business, which cost the Claimant £5,000 in 1890, and which has increased in value owing to the successful business carried on by the Claimant, and is now lost through the compulsory removal of the Claimant from the premises	£9,000	0	0
2. Loss arising through the compulsory realisation of Stock ...	500	0	0
3. Loss on realisation of Fittings and Utensils	500	0	0
Total	£10,000	0	0

Answers were lodged for the Respondents to the effect that the Claim was excessive.

The Arbiter, on the motion of parties, fixed Thursday, 12th March, at 8 p.m., for the commencement of the Proof.

The Accountant Witnesses for the parties had respectively prepared the Profit and Loss Accounts shown on the next page—

I.—PROFIT AND LOSS ACCOUNT for the Five Years ended 11th November 1902, prepared for the Claimant

	Year 1897-8			Year 1898-9			Year 1899-1900			Year 1900-1			Year 1901-2			Total		
By Shop Drawings...	£6,240	1	6	£6,500	2	10	£7,176	1	9	£7,280	11	4	£7,020	6	8	£34 217	4	1
To Purchaes ...	£3,975	6	2	£4,191	19	6	£4,326	1	5	£4,642	18	2	£4,510	5	3	£21,646	10	6
„ Wages	431	10	6	428	9	0	442	7	9	447	0	1	460	1	8	2,209	9	0
„ Rent	300	0	0	300	0	0	350	0	0	350	0	0	350	0	0	1,650	0	0
„ Taxes, Rates, Licence, and Insurance ...	94	10	0	95	1	6	96	1	9	97	2	9	98	10	0	481	6	0
„ Coals and Gas...	33	5	6	34	15	9	35	0	7	37	1	6	31	2	9	171	6	1
„ Repairs	13	6	7	20	7	6	14	19	1	35	1	2	14	1	5	97	15	9
„ Petty Expenses..	70	3	5	62	17	4	80	2	9	71	4	3	82	6	2	366	13	11
„ Balance, Net Profits ...	1,321	19	4	1,366	12	3	1,831	8	5	1,600	3	5	1,473	19	5	7,594	2	10
	£6,240	1	6	£6,500	2	10	£7,176	1	9	£7,280	11	4	£7,020	6	8	£34,217	4	1

Average Profits of Five Years, £1,518 16s. 7d.

Note.—The Stock is assumed to be the same at the beginning and end of each year.

J. MILNE HENDERSON, C.A.

II.—PROFIT AND LOSS ACCOUNT for the Three Years ended 11th November 1902. on the basis of percentage on Cash Drawings prepared for the Respondents.

	Year 1899-1900			Year 1900-1			Year 1901-2			Total		
Shop Drawings	£7,176	1	9	£7,280	11	4	£7,020	6	8	£21,476	19	6
By Estimated Gross Profits, 33⅓ per cent. on above Drawings	£2,392	0	7	£2,426	17	1	£2,340	2	3	£7,158	19	11
To Wages (including £4 per week paid to Proprietor)...	£650	7	9	£655	0	1	£668	1	8	£1,973	9	6
„ Rent	350	0	0	350	0	0	350	0	0	1,050	0	0
„ Rates, Taxes, and Insurance...	56	1	9	57	2	9	58	10	0	171	14	6
„ Excise Duty	40	0	0	40	0	0	40	0	0	120	0	0
„ Business Expenses	130	2	5	143	6	11	127	10	4	400	19	8
„ Interest on Capital ... ... 5 per cent. on £7,000 (being price of Goodwill £5,000, and Stock and Fittings, &c., *less* Liabilities, £2,000).	350	0	0	350	0	0	350	0	0	1,050	0	0
To Balance, being Estimated Net Profits	815	8	8	831	7	4	746	0	3	2,392	16	3
	£2,392	0	7	£2,426	17	1	£2,340	2	3	£7,158	19	11

Average Profits of Three Years, £797 12s. 1d.

W. D. STEWART, C.A.

The books kept were:—

1. Excise Stock Book, kept according to law, to record the quantities and particulars of all Spirits received into Stock.
2. Shop Drawings Books, in which were entered at the end of each day the cash received in cash payments.
3. Bank Pass Books.
4. Cheque Counterfoil Books.

The Invoices and Receipted Accounts were kept and bundled each year.

The Cash Book was never balanced. It did not contain entries of:—(1) Bank Cheques and payments made by same; (2) Payments into Bank; (3) Cash drawn by Proprietor other than £4 entered in name of Salary weekly.

No Stock Sheets were ever made up by Claimant.

The Premises were held under lease expiring on 11th November 1906, rent £350 per annum.

The following is a copy of the Precognition Report by J. MILNE HENDERSON, C.A., Edinburgh:—

I have examined the Books of A. B., Wine and Spirit Merchant, North Bridge, Edinburgh.

The books consisted of Excise Stock Books, Shop Drawings Books, Bank Pass Books, and Cheque Counterfoil Book. There were also produced to me the Invoices and receipted Accounts for the whole period of A. B.'s occupancy. From these sources I have prepared the following Statements—

(1) *List of Shop Drawings* from March 1890 when A. B. took over the business. The Drawings are as follows, viz.:—

			£				£
1.	For year to 11th November	1891	5,206	8.	For year to 11th November	1898	6,240
2.	,, ,, ,,	1892	5,354	9.	,, ,, ,,	1899	6,500
3.	,, ,, ,,	1893	5,491	10.	,, ,, ,,	1900	7,176
4.	,, ,, ,,	1894	5,891	11.	,, ,, ,,	1901	7,280
5.	,, ,, ,,	1895	5,710	12.	,, ,, ,,	1902	7,020
6.	,, ,, ,,	1896	5,994				
7.	,, ,, ,,	1897	6,080				£34,216

Average of five years 1898-1902, £6,843.

The daily Drawings were arrived at by taking the amount in the till at the close of business, and allowing for cash payments and money put in for change in the morning. The Drawings have increased from £100 per week in the year 1890-91 to £140 per week in the year 1900-01 an increase of 40 per cent. The Drawings show a remarkably steady increase, the only decreases being in 1894-5 and 1901-2. I cannot account for the former year's decrease, but I understand the great increase in Working-men's Clubs, and the war have something to do with the fall in 1901-2. As these Clubs are sure to be reduced in the near future, I do not attribute any importance to the decrease in the year 1901-2. I think that in fixing the Compensation in this case the Profits for that year should not be made the basis, but that the average Profits of the five years to 11th November 1902 should be taken.

(2) *Purchases.*—These were made up from the Invoices and Receipted Accounts. The amounts shown in the Profit and Loss Account are the payments for Stock made in each of the five years ending 11th November 1902.

The difference between the Purchases and the Drawings shows a Gross Profit of 36·74 per cent., and the accuracy of this I have tested in the following way:—

I ascertained from the Excise Book and from the Brewers' and other invoices the total quantity of liquor brought into the business during the five years and the cost of same.

Against this I put what the liquor yielded at so many glasses to the gallon, and so much per glass of Spirits and Beer respectively.

The total cost was (agreeing with the Profit and Loss Account) ..	£21,646
And the estimated yield on this basis was	33,500
	£11,854

Equal to a gross profit of 35·38 per cent.

Over a period of five years I consider this a satisfactory test of the correctness of the Gross Profit brought out in the Profit and Loss Account.

I have assumed the Stock at the beginning and end of the period to be the same. Stock was taken on A. B.'s entry in 1890 and amounted to £2,000, but I understand this was too small a Stock to work the business, and it had to be increased by £200 or £300. Stock was not taken again, but last week it was sold off and realised only £1,700. I consider, therefore, that by leaving the Stock out of Account in the Profit and Loss Account that the Profits are under rather than over-stated, moreover, the State which I prepared to test the accuracy of the Drawings proves that the Stock could not have increased.

(3) *Business Expenses.*—The Wages are those shown in the Cash Book with the exception of £208 per annum (£4 per week) drawn by the Proprietor in respect of salary. I consider that the Proprietor's salary does not form a charge against the Profits in estimating the amount payable for the Goodwill of a Business to be fixed under an Arbitration. The Rent, Taxes, and other expenses are the actual sums paid as shown by the Cash and Cheque Counterfoil Books, and in numerous cases vouched by receipted Accounts. I have found from the receipts that the claimant paid for Fittings at his entry £600, and that he has kept them in full repair since. These Fittings are practically of no value if removed.

The result shown by the Profit and Loss Account is as follows:—

	£	s	d
Net Profit for year 1897-8	1,321	19	4
,, ,, 1898-9	1,366	12	3
,, ,, 1899-0	1,831	8	5
,, ,, 1900-1	1,600	3	5
,, ,, 1901-2	1,473	19	5
	£7,594	2	10

Average of five years £1,516 16s. 7d.

	£	s	d
I consider that a fair sum to be allowed to the Claimant for Compensation is six years' profits on the above average, say ..	9,000	0	0
I also consider that Claimant is entitled to Compensation for loss on Fittings	500	0	0
And for loss on forced realisation of Stock	500	0	0
	£10,000	0	0

The Precognition of William Daniel Stewart, C.A. (Accountant for the Respondents), was as follows:—

I am a Chartered Accountant in Edinburgh, and have been in practice for the past six years. I have examined the Books kept by the Claimant, Mr. A. Black, Wine and Spirit Merchant, North Bridge, Edinburgh. These were as follows:—

(1) The Excise Stock Book, commonly called the Permit Book, showing the quantities of Spirits received in stock.

(2) The Shop Cash Book, showing the daily Cash Drawings and Cash Payments.

(3) The Bank Pass Books, and

(4) The Cheque Counterfoil Books.

The Bookkeeping was of a very elementary nature, the Cash Book never being balanced, while it did not show any Bank transactions. In my opinion the Claimant ought to have kept the following books:—

(1) Cash Book, incorporating the Bank transactions, balanced weekly.

(2) Invoice Book, recording the Goods purchased.

(3) Ledger, to which the Cash and Invoice Books would fall to be posted.

The Stock ought to have been taken at regular intervals, so as to show the Gross Profit on the business.

I have prepared a statement from the Cash Book showing the Drawings and Expenses from 1899 to 1902.

In regard to the Drawings, I find, on the assumption that the Cash Book is correct, that they are as follows:—

	£	s	d
Year 1899-1900	7,176	1	9
„ 1900-1901	7,280	11	4
„ 1901-1902	7,020	6	8

Or average weekly Drawings of £137 13s. 1d.

It will be observed that the Drawings for the year 1901-2 are less than those of the previous year by £160 4s. 8d. The business would appear, therefore, to be a declining one.

As before stated, no Invoice Book was kept. The Claimant's Accountant has prepared his Statement of Purchases from the Invoices only. As no stock was taken either at the beginning or the end of the period, a proper Profit and Loss Account cannot be made up. The Stock cannot possibly be the same at all times. In a case of this kind, the Gross Profit can only be arrived at by taking a percentage on the Cash Drawings. I have had a great deal of experience in regard to Wine and Spirit Merchants' businesses both in Edinburgh and Glasgow, my connection being partly as Trustee on Estates having Interests in such businesses, and partly owing to my being connected with people in the trade. In my opinion 33⅓ per cent. on the Drawings would be a fair Gross Profit in a business of this kind. It would be a more exact method of arriving at the Gross Profit than by Invoices where some might be wanting. In this connection, I have made special enquiry regarding the Gross Profits of Public Houses, apart from those I have to do with professionally. The enquiries made confirm my views, for instance:—

A shop in the neighbourhood of Nicolson Street earns a Gross Profit of 6s. 6d. per £; a shop near Leith Street earns a Gross Profit of 6s. 6d. per £, and so on.

I believe that 33⅓ per cent. is the usual Gross Profit earned. In my knowledge the Inland Revenue authorities look upon 33⅓ per cent. as the usual Gross Profit earned in a Public House. They would be surprised if the Publican admitted he earned more. A great many Public Houses earn only from 25 per cent. to 30 per cent., especially where a very large carrying-out trade is done. In the average business 33⅓ per cent. is a fair Gross Profit. On this basis the Gross Profit would be as follows:—

	£	s	d
Year 1899-1900	2,392	0	7
„ 1900-1901	2,426	17	1
„ 1901-1902	2,340	2	3

Out of these Gross Profits have to be paid the Expenses. These expenses are the same as those made up by the Claimant's Accountant with the exception of (1) Wages (which include £4 per week paid to the Proprietor), and (2) Interest on Capital.

In regard to Wages, in my experience, a business drawing £138 weekly cannot be worked under £13 weekly.

	£	s	d
Barman	4	0	0
4 Barmen	6	0	0
1 Cook	1	5	0
3 Boys	1	10	0
	£12	15	0

This business was worked by the Proprietor. It is proper, therefore, that his wages should be charged, as, if he did not work, an experienced barman would have to be employed. I am aware that the Inland Revenue would not pass this sum as a charge on the business. In Limited Companies, however, it is usual to charge against the Profits a sum for management to the Managing Director.

I have charged interest on Capital against the Profit.

This must be done before arriving at the Net Profit. The Capital involved is £5,000, the price of the Goodwill in 1890, and £2,000, the difference between the Assets consisting of Stock and Fittings and Liabilities. Interest on this sum of £7,000 is £350 per annum, at 5 per cent. It is the practice of Accountants to debit Profit and Loss with Interest on Capital before arriving at the Net Profit. This is done in the audit of the books of private firms. In view of the short Lease the Claimant ought to have charged Profit and Loss with such a sum each year as would give him back his whole Capital at its expiry. I have charged an exact sum of £350 as Interest on the assumption that the Capital involved always remained the same, viz., £7,000.

I consider that the rent paid by the Claimant for his premises (£350) as too high. A fair rent, in my opinion, would be £300. This would tell against the sale of the Goodwill in the open market. The Rents of Public Houses have been taken in cases of this kind at 2½ times the week's drawings. This is also my experience of Public House Rents. In this case, with Drawings of £138, the Rent should be £310.

A most important point in connection with a Public House Business is the Lease. In this case there are only four years to run. A business with this short lease is not of much value to a purchaser unless the landlord agrees to a renewal.

There is no difficulty in selling the Goodwill of a Public House with a ten or fifteen years' lease. The rent has already been raised from £300 to £350, and would have probably been raised again at the expiry of the lease in Martinmas 1906. Landlords have a nasty habit of doing this. The Claimant would have been in a much stronger position if he had owned the property. In my opinion, the Goodwill of this business is of comparatively little value.

Magistrates have for some time had in view the reduction of licences, and might possibly have done away with this one.

In Glasgow at the present time they are considering the reduction of licences in a certain district. This shows the precariousness of licences.

Again, many publicans insure their licences with an Insurance Company of this kind. In a recent case, where a publican lost his licence, which was insured, the Insurance Company denied liability without giving any reason for so doing. After charging all expenses as detailed, the Net Profits would be:—

	£	s	d
Year 1899-1900	815	8	8
,, 1900-1901	831	7	4
,, 1901-1902	746	0	3

Or an average Profit of £797 12s. 1d.

In regard to the amount of Compensation, I am of opinion that three years' purchase of the Net Profits would be ample :—

	£	s	d
That would amount to	2,392	16	3
To which add Loss on realisation of Fittings	200	0	0
Total Compensation	£2,592	16	3

I consider this a fair sum, looking to the fact that only four years of the lease have to run.

In recent cases the Claimant has been awarded about four years' purchase of the net Profits. In the case of *Taylor and the North British Railway Co.* the Claimant was awarded four years' purchase. Then, again, in the case of *Maclennan and the North British Railway Co.* the Claimant was awarded six years' purchase, but he owned the property. This puts a different complexion on the matter.

The main points on which the witnesses differed were as follows :—

(1) *Manager's Salary* (£4 per week), which had been drawn by the publican. It was argued for the Claimant that this should be looked on as drawings to account of Profit, and should not be charged in ascertaining the Net Profit which was to be the basis of compensation. It was argued for the Respondents that this salary could be earned elsewhere, and that it was drawn for work done, as otherwise a paid Manager would have been necessary. It was also argued that, had the Profits only been sufficient to meet this salary, no compensation in respect of Profit would have been payable.

(2) *Interest on Capital.*—The Claimant's witness held that this was not a proper charge in ascertaining Profits in a case of this kind. On the side of the Respondents it was argued that such Interest must be charged before arriving at the Profit.

Other points which were discussed were, how far should the expiry of the lease in four years affect the compensation, the falling off in the Profits, the defective system of bookkeeping, and whether this should tell against the Claimant. Many other points were brought out on which there is usually difference of opinion.

ARBITER'S AWARD.

The Claimant claims the sum of £10,000 in respect of compulsory removal from licensed premises of which he holds a lease expiring Martinmas, 1906. The Respondents have tendered the sum of £3,000.

The Claimant has occupied the premises since 1890, and I am informed that he is now well up in years, which I take to mean that he is rather old to take kindly to a new venture.

It is admitted that he paid £5,000 in 1890 for the lease, and that since then the volume of business, as well as the Profits, have considerably increased. I do not think I am called upon to enquire what value attached to the premises in 1890. The Claimant may have made a good bargain, or he may have made a bad bargain ; that has, to my mind, little to do with the present question, which is, What value now attaches to the lease of the licensed premises which the Claimant, through the action of the Respondents, is forced to give up ?

Both parties seem to think that the sum to be awarded under the head of what is called in the claim "Goodwill" should represent so many years' purchase of the Net Profits. The Claimant asks six years' purchase of an average yearly Profit of £1,500, being £9,000: the respondents say that three years' purchase of an average annual Profit of £797, being £2,391, would be ample.

The Accountant for the Respondents stated that the Claimant's bookkeeping was faulty, and that the rent of the premises was too high. Provided the Profits are correctly stated, the mode of bookkeeping adopted is of no moment, and if the rent had been smaller the Profits would have been larger, which would have been better for the Claimant.

Subject to what I have to say as to the average Profits brought out by the Claimant and Respondents respectively, I adopt the Profit and Loss statement submitted for the Claimant.

The Claimant states his average annual Profit at £1,518; the Respondents state it at only £798, being a difference of £720. To the extent of £170 this difference arises from the different modes adopted in arriving at the *Gross* Profits. In bringing out the Gross Profits the Claimant deals with what I must hold to be actual figures, notwithstanding all that was said at the proof on behalf of the respondents: the Respondents, on the otherhand, assume 33⅓ per cent. of the Drawings to have been the Gross Profit. I prefer the Claimant's mode of arriving at the Gross Profits.

The remaining £550 of the difference arises from the Respondents charging against Profits interest on Capital and £4 per week which the Claimant paid to himself in name of wages.

I agree with the Respondents that interest on Capital and all expenses of management ought to be deducted before arriving at Net Profits. That is, I think, necessary when dealing with a Claim like the present, just as I think it would be necessary in dealing with a case of Goodwill pure and simple.

Suppose in the present case the business—notwithstanding its being well organised and managed—had only paid expenses and 4 or 5 per cent. on the Capital employed, no one, I think, would have said that there was any marketable Goodwill attaching to the business. I hold that it is only the *excess* earned, beyond fair interest on the Capital employed, that ought to count in any question as to the value of Goodwill.

In the case of a sale of the Business and Goodwill of a firm to, say, a limited liability company, it is a convenient and suitable mode of valuing the Goodwill to take it as worth so many years' purchase of the Net Profits. But I do not think the present case is one of Goodwill at all; it is simply a case for determining the Compensation to be paid to the Claimant for having his lease cut short by nearly four years. But I think it was quite essential to find out what Profit the Claimant had been deriving from his business, and therefore the evidence led on that point was very necessary.

The really important point to keep in view is, that the Claimant is to be deprived of a business from which he could confidently count on getting, not only fair interest on his Capital, but also something like £900 to £1,000 a-year of clear Profit during the next three or four years.

The Claimant was no doubt liable to be turned out of the premises without Compensation at the expiry of his lease; but the chances are that if the Respondents had not appeared he would have got a renewal. The Respondents might have acquired the premises under burden of the lease, and by waiting until 1906 could have entered free, but by that time the Claimant would have pocketed between three and four years' Profits.

It has also, however, to be kept in view that the Claimant is free to carry on his business elsewhere if he can secure licensed premises; and as he is in the position of a licensed holder who has been ejected from his premises under the powers conferred by an Act of Parliament, the licensing authorities would no doubt look favourably on any application he might make for leave to carry on business in new premises, especially as he has always conducted his business creditably. As, however, the Claimant is up in years, he may not care to start on a new venture: in that case he may be able to arrange a transfer of the licence to another name, and receive a valuable consideration for the transfer.

Taking all the circumstances into account, I think a sum of £3,500 would be suitable Compensation to allow under this head of the Claim.

As regards the other two items of Claim, in respect of compulsory realisation of Stock, Fittings, and Utensils, I should have liked to have seen an Inventory and Valuation of the Stock, &c. A publican's Stock ought to be comparatively easy to realise at prices not much below cost; but the fittings and utensils would probably not yield much.

It was stated at the proof that the total sum realised for the Stock, Fittings, and Utensils, which were sold last week, was £1,700. I think if I allow £500 in place of the two sums of £500 claimed, I will be doing substantial justice to the Claimant.

My award, which I shall write out in due course, will, therefore, be for a lump sum of £4,000. As this is more than the Respondents tendered, they must pay the whole expenses of the Arbitration.

In order to add to the completeness of this chapter, the author has been in communication with the Honorary Secretaries of the various Chartered Accountants Students' Societies, and through their courtesy and that of their respective Committees, he is enabled to reproduce various *pro formâ* accounts which have engaged the attention of their respective Societies at meetings specially convened to instruct students in the art of criticising accounts. The *pro formâ* Balance Sheets, &c., appended have in all cases been carefully compiled, with a view to illustrating certain specific weak points which call for careful attention upon the part of critics. It is thought, therefore, that their careful study will be found instructive to those who may desire to follow the subject further. It may, however, be added that the only real basis upon which accounts may be usefully criticised is a complete audit, and that therefore those who may desire to go into the subject fully must of necessity master the subject of Auditing in all its manifold aspects.

THE LEEDS AND DISTRICT

Chartered Accountants Students' Association.

HIDES, LIMITED

(*A Company registered without Articles of Association.*)

Directors:

H. GASKELL BLACKBURN (Chairman).
J. DAVIS.
C. A WOOLSTONE.

Secretary:
F. CLEMONS.

Auditor:
J. W. BURRELL.

DIRECTORS' REPORT.

To be submitted to the first Annual Meeting of Shareholders, to be held at the Board Room, Albion Place, Leeds, on Thursday, the 3rd day of March 1898. The Directors have pleasure in presenting the Accounts of the Company to the Shareholders.

Full and satisfactory explanations of the Accounts and position of the Company will be given at the Meeting, which the Directors hope will be well attended.

Mr. C. A. Woolstone is the retiring Director, and offers himself for re-election.

The Auditor, Mr. Burrell, also retires and offers himself for re-election.

H. GASKELL BLACKBURN,
Chairman.

THE LEEDS AND DISTRICT CHARTERED ACCOUNTANTS STUDENTS' ASSOCIATION.

HIDES, LIMITED.

BALANCE SHEET, December 31st 1897.

Capital and Liabilities.

	£	s	d	£	s	d
To Nominal Capital— 20,000 Shares of £5	100,000	0	0			
" Capital Account— "A" 10,000 Ordinary Shares, £2 10s. paid	25,000	0	0			
"B" 10,000 Ordinary Shares, £5 paid	50,000	0	0			
	75,000	0	0			
Less Calls in arrear	30	0	0			
	74,970	0	0			
Less Forfeited Shares	270	0	0	74,700	0	0
" Loan on Debenture Bonds, 4 per cent.				10,000	0	0
" Loan by Directors				5,000	0	0
" Sundry Creditors				1,000	0	0
" Bills Payable				448	10	8
" Directors' Fees				1,000	0	0
" Reserve Fund				2,000	0	0
" Balance of Profit and Loss Account				289	0	0
				£94,437	10	8

Property and Assets.

	£	s	d	£	s	d
By Plant, Machinery, Fixtures, and Tools, &c., at Cost				14,982	15	11
" Goodwill				11,231	4	7
" Stock-in-Trade				36,589	17	6
" Sundry Debtors				8,756	5	3
" Preliminary Expenses				73	4	0
" Bills Receivable				422	10	6
" Cash in Bank on Current Account	£8,221	4	8			
Less Cheques not presented	301	4	8	7,920	0	0
" Cash and Bills in hand				855	12	11
" Cash in Bank on Deposit Account				5,000	0	0
" Mr. Burrell, Auditor, in respect of future charges				300	0	0
" Deposit on Purchase of B. Ankrupt & Co.'s Tannery				4,700	0	0
				£94,437	10	8

PROFIT AND LOSS ACCOUNT for the Year ending December 31st 1897.

	£	s	d	£	s	d
To Stock-in-Trade, January 1st 1897				28,621	8	4
" Purchases	48,234	1	7			
Less Discount	1,963	1	6	46,271	0	1
" Wages and Salaries				25,211	3	3
" Balance, Gross Profit				15,175	8	0
				£115,278	19	8
To Commission				8,231	3	1
" Carriage and Freight				416	0	10
" Rent				500	0	0
" Rates, Taxes, and Insurance				478	0	2
" Maintenance and Repairs				256	15	2
" Rope, Paper and Stationery				109	2	6
" Coal and Oil, &c.				165	10	9
" Bad Debts				325	1	7
" Depreciation of Machinery				496	16	5
" Interest and Bank Charges	1,924	4	3			
" General Expenses, Auditor's Fee, Postages, and Petty Cash, &c.	204	11	8			
" Interest on Debentures	400	0	0			
" Balance carried to Balance Sheet	1,682	4	1			
" Profit carried down				4,211	0	0
				£15,189	10	6
June 30th. To Interim Dividend— Ordinary Shares "A" £2 10s. 0d. paid 6 per cent. per annum	1,500	0	0			
Ordinary Shares "B" £5 paid 6 per cent. per annum	3,000	0	0	4,500	0	0
				£4,500	0	0

	£	s	d	£	s	d
By Sales	80,091	12	4			
Less Discount	1,902	10	2	78,189	2	2
" Sale of Old Machines, &c.				509	11	3
" Stock-in-Trade, December 31st 1897				36,080	6	3
" Rent				500	0	0
				£115,278	19	8
By Gross Profit				15,175	8	0
" Transfer Fees				14	2	6
				£15,189	10	6
By Balance Profit				4,211	0	0
" Loss on Year's Working				289	0	0
				£4,500	0	0

MANCHESTER CHARTERED ACCOUNTANTS STUDENTS' SOCIETY.

THE HOLDFAST IRONWORKS COMPANY, LIMITED.

Holdfast, near Barrow-in-Furness.

(A Company Registered without Articles of Association.)

Directors:

THOS. PLUMPTON, *Chairman.*
A. S. BREWIS.
S. LORD.
C. H. WILLIAMS.
W. C. BARRETT, JUNR.
ROGER N. CARTER.

Solicitors:
TAXED COSTS & CO.

Auditors:
GREGORY BLUNDERITT. | FRITZ CATCHEM.

Bankers:
WILDE THYME BANK, LIMITED.

Secretary:
CHARLES JORDAN.

Registered Offices:—STANDARD CHAMBERS, 65 KING STREET, MANCHESTER.

REPORT OF THE DIRECTORS.

To be submitted to the Eighth Annual Meeting of Shareholders.

Your Directors, in submitting herewith the Annual Balance Sheet, &c., at 30th June 1897, regret to report a loss of £12,346 2s. 9d., which increases the adverse balance to £18,331 0s. 2d. Under the circumstances, they advise that the Company be wound up voluntarily, and, at the Extraordinary Meeting to be held at the conclusion of the Annual Meeting, a resolution to that effect will be proposed.

The amount of £29,521 18s. 11d. added to Capital during the year includes all Renewals, but ordinary Repairs have been charged to Revenue. The amount of £10,467 3s. 5d. includes interest on the Debentures raised—to reinstate the Mine after the inburst of water—from the date of the receipt of the money up to the time when the damage was repaired, and this your Directors consider a proper charge to Capital.

T. PLUMPTON, Chairman.

MANCHESTER CHARTERED ACCOUNTANTS STUDENTS' SOCIETY.

THE HOLDFAST IRONWORKS COMPANY, LIMITED.

TRADING ACCOUNT for Year ending 30th June 1897.

Dr. | *Cr.*

Dr.	£ s d	£ s d	Cr.	£ s d	£ s d
To Purchases	408,619 5 3		By Sales	725,915 18 3	
" Wages	250,397 14 11		*Less* Stock at 30th June 1896 ..	65,382 7 1	
" Discounts, Allowances, &c... ..	30,451 8 4				
		689,468 8 6		660,533 11 2	
" Balance carried to Profit and Loss Account, being Gross Profit ..	..	41,306 12 1	*Add* Stock at 30th June 1897 ..	70,241 9 5	730,775 0 7
		£730,775 0 7			£730,775 0 7

PROFIT AND LOSS ACCOUNT.

	£ s d	£ s d
To Royalties	9,022 6 11	
" Carriage, Freight, &c.	5,114 3 2	
" Repairs, &c.	7,465 11 11	
" Salaries, &c.	4,821 12 6	
" Directors and Auditors	4,120 5 6	
" Travelling Expenses	2,610 7 2	
" Rents, Rates, and Taxes	1,570 8 3	
" Horses, Wagons, &c...	1,005 14 2	
" Provision for Bad Debts	6,285 16 7	
" Sundry Trade Expenses	4,026 7 5	
		46,042 13 7
" Interest on Debentures	4,500 0 0	
" Provision for Income Tax	500 0 0	
" Interest on Calls paid in advance ..	4 7 6	
" Bank Interest	3,148 15 9	
		8,153 3 3
		£54,195 16 10

	£ s d
By Gross Profit, as per Trading Account	41,306 12 1
" Cottage Rents	227 14 11
" Interest on Unpaid Calls	45 19 3
" Suspense Account	269 7 10
" Loss during the Year	12,346 2 9
	£54,195 16 10

BALANCE SHEET, at 30th June 1897.

Capital and Liabilities.	£ s d	£ s d
Nominal Capital—		
20,000 Shares at £50 each	1,000,000 0 0	
Shares Issued—		
20,000 Shares at £35 called	700,000 0 0	
Less 1,000 Shares forfeited £35,000		
Deduct Calls paid thereon 5,000		
30,000		
Less Calls in Arrear 2,500	27,500 0 0	
	672,500 0 0	
Add Calls paid in Advance	100 0 0	
		672,600 0 0
Debentures—		
1st Issue at 5 per cent.	50,000 0 0	
2nd " at 6 "	50,000 0 0	
		100,000 0 0
Bank Overdraft	80,000 0 0	
Less 2nd Issue Debentures	50,000 0 0	
		30,000 0 0
Sundry Creditors—		
On Open Accounts	40,564 2 1	
" Bills Payable..	20,725 9 6	
" Provision for Income Tax ..	500 0 0	
" " Wages, Rent, Taxes, &c...	1,784 4 9	
		63,573 16 4
		£866,173 16 4

Property and Assets.	£ s d	£ s d
Land, Buildings, Mines, Furnaces, Mills, Machinery, Cottages, &c., on 30th June 1896	568,092 19 9	
Add Additions during the Year ..	29,521 18 11	
" Cost arising through Inburst of Water	10,467 3 5	
		608,082 2 1
Stocks on hand, 30th June 1897.. ..	..	70,141 9 5
Goodwill	..	40,000 0 0
Formation Expenses	..	1,600 0 0
Sundry Debtors—		
On Open Accounts	85,425 7 3	
" Bills Receivable	40,291 6 4	
	125,716 13 7	
Less Provision for Bad Debts ..	6,285 16 7	
		119,430 17 0
Royalties paid in advance	..	5,640 18 6
Loss arising through late Secretary's Defalcation, with Interest added ..	..	2,811 15 1
Profit and Loss Account—		
Loss at 30th June 1896	5,984 17 5	
" this Year	12,346 2 9	
		18,331 0 2
Cash in hand	..	135 14 1
		£866,173 16 4

Audited and found correct, subject to Report.

G. BLUNDERITT.
FRITZ CATCHEM.

CHARTERED ACCOUNTANTS STUDENTS' SOCIETY OF LONDON.

THE FAIRWEATHER ENGINEERING COMPANY, LIMITED.

(Table "A" was adopted instead of drawing up special Articles of Association.)

Directors.

HORATIO BLUFFE, ESQ., *Chairman* (HERBERT LANHAM).
DAVID QUERY, ESQ. (SYDNEY G. COLE).
F. G. GINNY-PIGGE, ESQ. (JAMES SAWERS).

Solicitor.
FOLEY O. DEED, ESQ. (R. F. W. FINCHAM).

Auditor.
A. B. TICKEM, ESQ. (E. C. PEGLER).

Secretary.
JAMES ROUTEIN (G. P. CARTER).

Bankers.
BULLION & CO., LIMITED.

Registered Offices.
FAIRWEATHER BLANKSHIRE.

REPORT OF DIRECTORS

To be submitted to First Annual General Meeting.

GENTLEMEN,—

Your Directors regret to have to report that the results of the Company's operations for the first year have been far from satisfactory. The great depression in trade, combined with the high prices of raw material, more especially coal and iron, have been the principal causes of this unlooked-for result. Further, we have been greatly hampered by the fact that the Cash Working Capital provided by the first issue of Shares has proved totally inadequate. However, your Directors feel confident that a far better result will be shown in the current year, provided that Shareholders will subscribe for more Preference Shares—it being the intention of the Board to issue 20,000 of these at once—and thus provide sufficient cash to enable us to complete the orders we have in hand, and enable us to buy on more favourable terms. The Company has a splendid stock of raw material on hand, and orders are coming in well; the price of coal is dropping daily, and everything points to a prosperous future. Your Directors therefore confidently recommend the Preference Shares as a sound investment, and it only remains for the Shareholders to subscribe liberally to the issue, full particulars of which will be sent you shortly.

The Auditor, Mr. A. B. TICKEM, retires, but offers himself for re-election.

HORATIO BLUFFE, *Chairman.*

MEMORANDA

Extracts from original Prospectus:—

(1) All expenses incidental to the formation and registration of the Company, up to and including allotment, will be paid by the Vendor.

(2) The business will be taken over as a going concern as and from January 1st 1899.

The Company was registered on March 31st 1899, and went to allotment on April 21st 1899.

Table "A" was adopted, instead of drawing up special Articles of Association

CHARTERED ACCOUNTANTS STUDENTS' SOCIETY OF LONDON.

THE FAIRWEATHER ENGINEERING COMPANY, LIMITED.

BALANCE SHEET, 31st December 1899.

Liabilities.	£	s	d	£	s	d
To Share Capital—						
Nominal—						
150,000 Shares (Ordinary) of £1 each	150,000	0	0			
100,000 Shares (Preference) of £1 each	100,000	0	0			
	£250,000	0	0			
Issued—						
80,000 Ordinary Shares of £1 each (fully called up)	80,000	0	0			
40,000 Preference Shares (5%) of £1 each (fully called up) ..	40,000	0	0			
				120,000	0	0
" Sundry Creditors—						
Trade	6,000	6	3			
Rent and Sundries	375	0	0			
				6,375	6	3
" Loan at 5% secured on Lease ..				500	0	0
				£126,875	6	3

Assets.	£	s	d	£	s	d
By Sundry Debtors—						
Trade Loans and Calls	24,630	1	6			
Bills Receivable	4,010	0	0			
				28,640	1	6
" Suspense Account				856	4	8
" Cash at Bank	240	8	6			
" " in hand	724	9	8			
				964	18	2
" Leasehold Premises				20,000	0	0
" Plants and Machinery..	12,480	3	6			
" Stock, &c.—						
Work in Progress	8,100	5	2			
Completed Work in Store.. ..	18,021	0	4			
Stores and Materials	14,981	1	2			
Stationery, &c.	500	1	4			
				41,602	8	0
" Investments at par				5,000	0	0
" Goodwill and Patent Rights, &c ..				13,728	0	0
" Preliminary Expenses..				642	8	3
" Profit and Loss Account				2,961	2	2
				£126,875	6	3

I have examined the above Balance Sheet with the Books and Vouchers of the Company and certify them to be in accordance therewith. No Depreciation has been written off Leaseholds, Plants, and Machinery, and the correctness of the Balance Sheet is subject to this, and the value of the investments being as stated above.

A. B. TICKEM, *Auditor.*

February 23rd 1900.

PROFIT AND LOSS ACCOUNT for the Year ended December 31st 1899.

	£	s	d
To Wages and Materials on Jobs completed	32,932	4	7
" Royalties	1,704	6	8
" Gross Profit	9,863	15	1
	£44,500	6	4
To Rent, Taxes, Gas, Accident Claims, &c.	2,906	1	1
" Directors' and Auditors' Fees, Bad Debts, and Salary of Managing Director, &c.	3,001	6	8
" Office Salaries and Expenses, Travellers', Postages and General Expenses, &c.	3,606	0	9
" Repairs..	100	0	0
" Allowances off Sales	1,964	2	1
" Bank Charges..	147	6	8
" Donation to War Fund	100	0	0
	£11,824	17	3
To Balance, Net Loss	1,961	2	2
Add Preference Dividend paid for the six months to June 30th	1,000	0	0
	£2,961	2	2

	£	s	d	£	s	d
By Sales—						
General..	39,000	6	4			
Patent Rights..	5,000	0	0			
				44,000	6	4
" Profit on Uncompleted Contracts (proportion)				500	0	0
				£44,500	6	4
By Gross Profit				9,863	15	1
" Balance, being Net Loss				1,961	2	2
				£11,824	17	3

CHARTERED ACCOUNTANTS STUDENTS' SOCIETY OF LONDON.

THE FAIRWEATHER ENGINEERING COMPANY, LIMITED.

BALANCE SHEET, December 31st 1899.

Liabilities.	£ s d	Revaluations, &c., made by Committee of Investigation £ s d
To Share Capital—		
Nominal—		
150,000 Shares (Ordinary) of £1 each	150,000 0 0	
100,000 " (Preference) " "	100,000 0 0	
	£250,000 0 0	
Issued—		
80,000 Ordinary Shares of £1 each (fully called up)	80,000 0 0	80,000 0 0
40,000 Preference Shares (5%) of £1 each fully called up	40,000 0 0	40,000 0 0
" Sundry Creditors—		
Trade	6,000 6 3	6,000 6 3
Rent and Sundries	375 0 0	375 0 0
" Loan @ 5% secured on Lease	500 0 0	500 0 0
" Reserve for Bad Debts	..	1,000 0 0
" Reserve for Depreciation of Investments	..	2,500 0 0
	£126,875 6 3	£130,375 6 3

Assets.	£ s d	Revaluations, &c., made by Committee of Investigation £ s d
By Sundry Debtors—		
Trade, Loans, and Calls	24,630 1 6	24,630 1 6
Bills Receivable	4,010 0 0	4,010 0 0
" Suspense Account	856 4 8	
" Cash at Bank	240 8 6	240 8 6
" " in hand	724 9 8	724 9 8
" Leasehold Premises	20,000 0 0	19,500 0 0
" Plant and Machinery	12,480 3 6	12,180 0 0
" Stocks, &c.—		
Work in Progress	8,100 5 2	8,100 5 2
Completed Work in Store	18,021 0 4	17,001 0 0
Stores and Materials	14,981 1 2	13,860 0 0
Stationery, &c.	500 1 4	400 0 0
" Investments at par	5,000 0 0	5,000 0 0
" Goodwill and Patent Rights, &c. ..	13,728 0 0	9,728 0 0
" Preliminary Expenses	642 8 3	642 8 3
" Profit and Loss Account	2,961 2 2	14,358 13 2
	£126,875 6 3	£130,375 6 3

I have examined the above Balance Sheet with the Books and Vouchers of the Company and certify them to be in accordance therewith. No Depreciation has been written off Leaseholds, Plant, and Machinery, and the correctness of the Balance Sheet is subject to this, and the value of the Investments being as stated above.

A. B. TICKEM,
Auditor.

February 23rd 1900.

PROFIT AND LOSS ACCOUNT for the Year ended December 31st 1899.

Dr.	£ s d	£ s d
To Wages and Materials on Jobs completed	32,932 4 7	32,932 4 7
" Royalties	1,704 6 8	1,704 6 8
" Gross Profit	9,863 15 1	758 11 6
" Amount written off Stock of Materials	..	1,121 1 2
" Amount written off Completed Stock ..	..	1,020 0 4
	£44,500 6 4	£37,536 4 3
To Rent, Taxes, Gas, Accident Claims, &c.	2,906 1 1	2,906 1 1
" Directors' and Auditors' Fees, Bad Debts, and Salary of Managing Director, &c.	3,001 6 8	4,001 6 8
" Office Salaries, and Expenses, Travellers', Postages, and General Expenses, &c.	3,606 0 9	3,706 2 1
" Repairs	100 0 0	100 0 0
" Allowances off Sales	1,964 2 1	
" Bank Charges	147 6 8	147 6 8
" Donation to War Fund	100 0 0	100 0 0
" Suspense Account written off	..	856 4 8
" Depreciation off Lease	..	500 0 0
" " " Plant	..	300 3 6
" " " Investments	..	2,500 0 0
	£11,824 17 3	£15,117 4 8
To Balance, Net Loss	1,961 2 2	13,358 13 2
Add, Preference Dividend paid for the six months to June 30th.. ..	1,000 0 0	1,000 0 0
	£2,961 2 2	£14,358 13 2

Cr.	£ s d	£ s d
By Sales—		
General	39,000 6 4	37,036 4 3
Patent Rights	5,000 0 0	
" Profits on Uncompleted Contracts (proportion)	500 0 0	500 0 0
	£44,500 6 4	£37,536 4 3
By Gross Profit	9,863 15 1	758 11 6
" Balance, being Net Loss	1,961 2 2	13,358 13 2
" Sale of Patent Rights (*less* £4,000, cost of same estimated)	..	1,000 0 0
	£11,824 17 3	£15,117 4 8

THE CHARTERED ACCOUNTANTS STUDENTS' SOCIETY OF KINGSTON-UPON-HULL.

PRIVATE AND CONFIDENTIAL.

THE PHASTANLUCE ENGINEERING COMPANY, LIMITED.

PHASTANLUCE near GOOLE.

(A Company Registered without Articles of Association.)

Directors.

W. R. LOCKING, *Chairman.*

J. A. CARLILL. W. SMAILES.

Solicitor.
J. J. T. FERENS.

Auditor.
PASS BARNEYS.

Bankers.
THE DOGGER BANK, LIMITED.

Secretary.
W. P. VICKERMAN.

Registered Offices—BOWLALLEY LANE, HULL.

REPORT OF THE DIRECTORS.

To be submitted to the Second Annual Meeting of Shareholders.

In submitting herewith the Balance Sheet and Relative Accounts as at 30th September last, your Directors desire to point out that, as anticipated when estimating the ensuing year's operations at the last General Meeting, the consistent advance in the prices of labour and material have had the effect of minimising to a considerable extent the profit on finished contracts which would otherwise have been realised. This advance in material still continues, but will be in part compensated for during the coming year by the increased prices obtainable for every description of the Company's output.

An interim dividend of 5s. per share on the Ordinary Shares was distributed in March last, and the Board regrets that the available Balance of Profit as shown by the accompanying statements will not suffice after paying the Preference Dividend to increase the dividend on the Ordinary Shares beyond the 5s. already received by the Shareholders. This 5s. was not distributed in cash, but was credited to the Capital Account in satisfaction of calls then due.

The Board recommend the declaration of a dividend of 6 per cent. on the Preference Shares and of 5s. per share on the Ordinary Shares, the latter to take effect as from March last.

Considerable Capital expenditure has been incurred during the twelve months, with the result of improving the Company's Assets in every way, and the Directors congratulate the Members of the Company on the splendid property they now possess and the complete efficiency of every department of the works.

The prospects for the ensuing year are very good, but it must be inadvisable to give further detail here of the orders in hand on account of the keen rivalry of similar establishments and the necessity for secrecy

Mr. J. A. CARLILL retires from the Board, but is eligible and offers himself for re-election.

Mr, PASS BARNEYS, the Auditor, retires from office and does *not* offer himself for re-election on account of great pressure of professional work, which will cause prolonged absence abroad.

W. R. LOCKING
Chairman.

CHARTERED ACCOUNTANTS STUDENTS' SOCIETY OF KINGSTON-UPON-HULL.

THE PHASTANLUCE ENGINEERING COMPANY, LIMITED.

Dr. TRADING ACCOUNT for the Twelve Months ended 30th September 1899. *Cr.*

	£	s	d	£	s	d
To Purchases	196,780	2	1			
Less:						
Stock on hand at 30th Sept. 1899	44,603	10	9			
	152,176	11	4			
Less: Discounts	4,309	2	3	147,867	9	1
" Wages				190,840	10	4
" Balance carried down, being Gross Profit for twelve months				68,433	16	4
				£407,141	15	9

	£	s	d	£	s	d
By Sales and Work done	438,966	11	3			
Less:						
Stock on hand at 30th Sept. 1898	21,306	11	4			
	417,659	19	11			
Less: Discounts	10,518	4	2	407,141	15	9
				£407,141	15	9

Dr. PROFIT AND LOSS ACCOUNT. *Cr.*

	£	s	d
To Rents, Rates, and Taxes	3,280	9	4
" Carriage and Freight	5,698	14	8
" Maintenance and Repairs, viz.:—Buildings, &c.	460	9	8
" Do. do. Machinery and Plant	1,540	3	1
" General Expenses, including Stamps and Stationery	6,980	8	11
" Office Salaries	1,560	6	4
" Directors' Fees	5,000	0	0
" Audit Fee	5	5	0
" Travelling Expenses	1,860	6	9
" Stable Expenses	983	15	4
" Bank Interest and Charges	1,784	6	5
" Interest on Loans and Calls paid in advance	3,980	6	2
" Debenture Interest	2,100	0	0
" Income Tax	450	0	0
" Bad Debts	14,283	14	8
" Reserve	10,000	0	0
" Balance, being Profit for the Year carried down	9,100	12	6
	£69,068	18	10

	£	s	d
By Gross Profit brought down	68,433	16	4
" Rents, &c.	460	2	6
" Interest on Unpaid Calls	175	0	0
	£69,068	18	10

	£	s	d	£	s	d
By Net Profit brought down	9,100	12	6			
" Balance carried to next Account	199	7	6			
				9,300	0	0
Deduct:						
Interim Dividend on Ordinary Shares paid in March (5s. per Share)	7,500	0	0			
Preference Dividend at 6 per cent.	1,800	0	0			
				9,300	0	0

CHARTERED ACCOUNTANTS STUDENTS' SOCIETY OF KINGSTON-UPON-HULL.

THE PHASTANLUCE ENGINEERING COMPANY, LIMITED.

BALANCE SHEET on the 30th September 1899.

Property and Assets.

	£	s	d	£	s	d
LAND AND BUILDINGS: including Foundry Machine and Fitting Shops, Furnaces, Boiler Shops, &c.—						
As at 30th September 1898	102,809	10	8			
Additions since	25,603	4	9			
Cost of Accident through Works Locomotive over-running Buffer Stops	2,709	11	2	131,122	6	7
FIXED PLANT AND MACHINERY, including Works Railway—						
As at 30th September 1898	93,706	6	10			
Additions since	8,509	1	11	102,215	8	9
LOOSE PLANT AND TOOLS—						
As at 30th September 1898	15,980	10	6			
Additions since	3,507	11	2	19,488	1	8
PATTERNS, MODELS, AND TEMPLATES—						
As at 30th September 1898	4,200	0	0			
Additions since	950	10	2	5,150	10	2
PATENTS AND PATENT RIGHTS—						
As at 30th September 1898	790	0	0			
Additions since	4,000	0	0	4,790	0	0
GOODWILL				30,000	0	0
FORMATION EXPENSES				2,920	0	0
INVESTMENTS IN OTHER COMPANIES, viz.—						
The Watho Hæmatite Steel Co., Ltd. ..	4,200	0	0			
The Goitblynde Boring & Exploration Co. (limited and reduced)	5,775	0	0			
The Hallatcee Steam Ship Co., Ltd. ..	6,480	0	0			
The San Sanguinario and Vamoosino Sugar Crushing Co. (limited and reduced)	7,983	0	0			
The Pretoria (Transvaal) Baths and Washhouses Co., Ltd.	5,562	0	0	30,000	0	0
SUNDRY DEBTORS—						
On Open Accounts	62,340	4	11			
Bills Receivable	93,583	4	9	155,923	9	8
Stocks on hand				44,603	10	9
Unexpired Values of Rents, Insurances, Rates, &c. ..				789	10	11
Cash in Secretary's hands				1,990	10	6
				£528,993	9	0

Capital and Liabilities.

		£	s	d	£	s	d
CAPITAL—							
AUTHORISED—							
30,000 6 per cent. Preference Shares of £5 each		150,000	0	0			
30,000 Ordinary Shares of £5 each ..		150,000	0	0			
		£300,000	0	0			
ISSUED—							
30,000 6 per cent. Preference Shares, £5 each fully paid		150,000	0	0			
30,000 Ordinary Shares £5 each. £3 10s. called		105,000	0	0			
		255,000	0	0			
Less: 3,000 Shares forfeited	10,500 0 0						
Deduct Cash received thereon	3,000 0 0						
	7,500 0 0						
Less: Calls in arrear	2,500 0 0						
		5,000	0	0			
		250,000	0	0			
Add: Calls paid in Advance		5,000	0	0	255,000	0	0
DEBENTURES—First Issue at 4 per cent. ..		25,000	0	0			
Second Issue at 6 per cent...		30,000	0	0	55,000	0	0
LOANS					15,000	0	0
BALANCE AT BANK					21,486	18	9
SUNDRY CREDITORS—							
On Open Accounts		90,600	2	4			
Bills Payable		43,406	7	11	134,006	10	3
RESERVE—							
As at 30th September 1898		20,000	0	0			
Since added		10,000	0	0	30,000	0	0
VENDORS' ACCOUNT at 30th September 1899 ..					18,500	0	0
					£528,993	9	0

MISLED MANSIONS,
LONDON, *5th February* 1900.

Audited and left correct,

PASS BARNEYS, *Auditor*.

E. & O. E.

SHEFFIELD CHARTERED ACCOUNTANTS STUDENTS' SOCIETY.

THE RANMOOR COLLIERY COMPANY, LIMITED.

FULLWOOD near TINSLEY.

(*A Company Registered without Articles of Association.*)

Directors.

H. COOPER, *Chairman.*

J. T. BARR. P. BEARD. F. A. EYRE. A. PLATT. W SILVESTER.

Trustee for Debenture Holders.

A. E. MERCER.

Solicitors.

CHEETHAM, FLEECEM & CO.

Auditors.

E. Y. BAUM & CO.

Bankers.

SHALESMOOR BANKING COMPANY, LIMITED.

Secretary.

M. WEBSTER JENKINSON.

Registered Office—HOOLE'S CHAMBERS, BANK STREET, SHEFFIELD.

REPORT OF THE DIRECTORS.

To be submitted to the Eighth Annual Meeting of Shareholders.

Your Directors, in submitting their Eighth Annual Report and Accounts, regret that, notwithstanding the recent high market price of Coal, they have to report a loss on the year's working of £2,846 16s. 8d., which, added to the Debenture Interest (as yet unpaid) and last year's balance, makes a total adverse balance of £29,528 3s. 1d. An amount of £16,100 has been added to Capital during the year. This includes all Renewals except ordinary repairs; also a sum of £8,985 13s. 4d., which was expended in putting the Mine into working order after the disastrous fire in October last, an expense which your Directors consider a proper charge to Capital.

The Company's affairs have been fully considered by your Directors, and they now advise that the Company be wound up voluntarily, and at the Extraordinary Meeting to be held at the conclusion of the Annual Meeting a resolution to that effect will be proposed.

H. COOPER, *Chairman.*

SHEFFIELD CHARTERED ACCOUNTANTS STUDENTS' SOCIETY.

THE RANMOOR COLLIERY COMPANY, LIMITED.

Dr. TRADING ACCOUNT for the Year ending 30th June 1900. *Cr.*

		£ s d	£ s d			£ s d	£ s d
1899 July 1	To Stock	..	25,000 0 0	1900 June 30	By Sales of Coal, Coke, &c. ..	..	209,021 13 9
1900 June 30	" Wages of Colliers, Top and Bottom Daymen, Coke Burners, &c.	..	130,982 9 9		" Wagon Hire Account Surplus	..	600 0 10
	" Coal Rents	..	14,854 10 2		" Stock of Coal, Coke, Material and Stores, &c.	..	12,000 0 0
	" Material, Stores, &c. ..	..	31,422 12 3				
	" Gross Profit carried down ..	..	19,362 2 5				
			£221,621 14 7				£221,621 14 7
	To Salaries	9,760 9 8			By Gross Profit	..	19,362 2 5
	" Do. (Special)	20 0 0			" Profit and Loss Account: Loss for the year ..	..	2,846 16 8
	" Rates and Taxes	2,754 2 4					
	" Accident Claims	1,340 10 3					
	" Travelling Expenses ..	967 6 5					
	" Manager's Commission ..	1,150 0 0					
	" Insurance	534 3 7					
	" Electric Light	678 4 11					
	" Discounts, Allowances, &c.	289 7 7					
	" Bank Charges	736 8 1					
	" General Charges, Postage, Stationery, Luncheons, Pit Clothes, &c., *less* Cottage Rents..	1,018 6 3					
			19,248 19 1				
	" Directors' and Auditor's Fees	2,460 0 0					
	" Special Donations	500 0 0					
			2,960 0 0				
			£22,208 19 1				£22,208 19 1

Dr. PROFIT AND LOSS ACCOUNT, 30th June 1900. *Cr.*

		£ s d			£ s d
1899 July 1	To Balance	24,181 6 5	1900 June 30	By Balance forward..	29,528 3 1
1900 June 30	" Further Loss to date	2,846 16 8			
"	" Debenture Interest	2,500 0 0			
		£29,528 3 1			£29,528 3 1
	To Balance	29,528 3 1			

SHEFFIELD CHARTERED ACCOUNTANTS STUDENTS' SOCIETY.

THE RANMOOR COLLIERY COMPANY, LIMITED.

CAPITAL ACCOUNT.

	Expenditure to 30th June 1899	Expended this year	Total to 30th June 1900		Receipts to 30th June 1899	Received this year	Total to 30th June 1900
	£ s d	£ s d	£ s d		£ s d	£ s d	£ s d
To Freehold Land ..	30,000 0 0	..	30,000 0 0	By Ordinary Shares ..	250,000 0 0	..	250,000 0 0
" Sinking Shaft and Opening-up Pit ..	285,000 0 0	10,000 0 0	295,000 0 0	" Preference Shares ..	125,000 0 0	..	125,000 0 0
" Plant and Machinery	63,000 0 0	5,000 0 0	68,000 0 0	" Debenture Stock ..	50,000 0 0	..	50,000 0 0
" Wagons	7,000 0 0	1,000 0 0	8,000 0 0				
" Office Buildings, Cottages, &c. ..	2,500 0 0	100 0 0	2,600 0 0				
£	387,500 0 0	16,100 0 0	403,600 0 0				
" Balance	..	..	21,400 0 0				
		£	425,000 0 0				£425,000 0 0
				By Balance	..	..	21,400 0 0

BALANCE SHEET, 30th June 1900.

Liabilities.	£ s d	£ s d	*Assets.*	£ s d	£ s d
To Capital Account, balance	..	21,400 0 0	*By Coal Rents Overpaid*	..	29,624 3 11
" Loans	..	10,970 3 6	*" Stock, viz. :—*		
Debenture Interest	..	2,500 0 0	Coal and Coke	170 0 0	
			Materials, Stores, &c.	11,830 0 0	
					12,000 0 0
" Sundry Creditors, viz. :—			*" Book Debts*	..	12,681 11 4
Open Accounts, including Bills payable	23,759 8 10		*" Preliminary Expenses*	..	1,800 0 0
Coal Rents and Royalties	16,622 16 11				
Bank Overdraft	10,000 0 0		*" Suspense Account, Amount of late Cashier's defalcations*	..	2,600 0 0
		50,382 5 9			
" Provision Account, viz. :—			*" Cash in hand*	..	18 10 11
Sundries	2,000 0 0				
Bad Debts	1,000 0 0		*" Profit and Loss Account*	..	29,528 3 1
		3,000 0 0			
		£88,252 9 3			£88,252 9 3

We have examined the above Balance Sheet with the Accounts and Vouchers relating thereto, and are of opinion that it is full and fair, and that it is properly drawn up so as to show a true and correct view of the state of the Company's affairs.

E. Y. BAUM & CO., *Auditors.*

MANCHESTER AND LIVERPOOL CHARTERED ACCOUNTANTS STUDENTS SOCIETIES (JOINT MEETING).

THE WESSEX ENGINEERING COMPANY, LIMITED.

Incorporated 31*st August* 1897.

Directors.

Mr. R. N. CARTER, Manchester, *Chairman.* Mr. A. F. DODD, Liverpool, *Deputy-Chairman.*

Mr. JOS. BELL, Junr., Manchester. Mr. H. W. BOWLER, Liverpool. Mr. H. L. RAWLINGS, Liverpool.

Mr. W. R. SHARP, Manchester. Mr. S. S. DAWSON, Liverpool, *Managing Director.*

Secretary.

Mr. S. W. REDFEARN, Manchester.

REPORT OF THE DIRECTORS.

To be submitted to the Fourth General Meeting of Shareholders.

Your Directors have pleasure in presenting the Accounts for the past year, which show an available profit (after payment of interest on Debentures and Interim Dividends on Ordinary and Preference Shares) of £64,000 0 0

which they propose should be disposed of as follows:—

To Reserve Fund	£10,000 0 0	
Half-year's Dividend on Preference Shares	25,000 0 0	
Final Dividend at the rate of 5 per cent. per annum on Ordinary Shares, making 5 per cent. for the year	25,000 0 0	
		60,000 0 0
Leaving a balance to carry forward of		£4,000 0 0

ROGER N. CARTER, *Chairman.*

MANCHESTER AND LIVERPOOL CHARTERED ACCOUNTANTS STUDENTS' SOCIETIES.

THE WESSEX ENGINEERING COMPANY, LIMITED.

TRADING AND PROFIT AND LOSS ACCOUNT for the Year ended 31st August 1900.

	£	s	d	£	s	d
To Purchases of Pig Iron, &c., net	550,000	0	0			
Add Stock, 31st August 1899	50,000	0	0			
	600,000	0	0			
Less Stock, 31st August 1900	60,000	0	0			
				540,000	0	0
" Wages				160,000	0	0
" Carriage of Raw Materials..				1,000	0	0
" Provision for Repairs, Renewals, and Depreciation of Machinery				50,000	0	0
" Royalties				1,000	0	0
" Balance, Manufacturing Profit				158,000	0	0
				£910,000	0	0
To Sundry Expenses	2,000	0	0			
Add Sundry Stock, 31st August 1899	500	0	0			
	2,500	0	0			
Less Sundry Stock, 31st August 1900	1,500	0	0			
				1,000	0	0
" Travelling Expenses, Office Rent, Salaries, Audit Fees, &c.				12,500	0	0
" Workmen's Compensation Account, Amount set aside				300	0	0
" Amount paid to date in respect of Loss by Explosion				1,000	0	0
" Discount on Sales				20,000	0	0
" Bad Debts and Reserve for Doubtful Debts				700	0	0
" Interest on Debentures				2,500	0	0
" Managing Director's Commission on Net Profit at 5 per cent.				6,000	0	0
" Balance Profit	120,000	0	0			
Less Managing Director's Commission	6,000	0	0			
				114,000	0	0
				£158,000	0	0

	£	s	d	£	s	d
By Sales	900,000	0	0			
Add Stock of Finished Goods, at 31st August 1900	30,000	0	0			
	930,000	0	0			
Less Stock of Finished Goods, at 31st August 1899	20,000	0	0			
				910,000	0	0
				£910,000	0	0
By Balance, Manufacturing Profit				158,000	0	0
				£158,000	0	0

MANCHESTER AND LIVERPOOL CHARTERED ACCOUNTANTS STUDENTS' SOCIETIES.

THE WESSEX ENGINEERING COMPANY, LIMITED.

BALANCE SHEET at 31st August 1900.

Capital and Liabilities.

		£ s d	£ s d
Nominal Capital—			
100,000 Ordinary Shares of £10 each ..		1,000,000 0 0	
100,000 Five per cent. Preference Shares of £10 each		1,000,000 0 0	
		£2,000,000 0 0	
Subscribed Capital—			
50,000 Ordinary A Shares of £10 each, fully paid		500,000 0 0	
50,000 Ordinary B Shares of £10 each, £5 paid..		250,000 0 0	
100,000 Preference Shares, fully paid ..		1,000,000 0 0	1,750,000 0 0
Debentures—			
1,000 Five per cent. Debentures of £100 each, issued 28th February 1900 at £95 per cent. and redeemable at par in ten years			95,000 0 0
Trade Creditors			70,600 0 0
Commission due to Managing Director			6,000 0 0
Reserve Fund			10,000 0 0
Profit and Loss Account—			
Profit for year		114,000 0 0	
Less Half-year's Dividend paid at 5 per cent. on Preference Shares ..	£25,000 0 0		
" Half-year's Dividend paid at 5 per cent. on A Ordinary Shares ..	12,500 0 0		
" Half-year's Dividend paid at 5 per cent. on B Ordinary Shares ..	12,500 0 0		
		50,000 0 0	
			64,000 0 0
			£1,995,600 0 0

Property and Assets.

			£ s d
Mining Concession, Land and Buildings, at Cost ..			1,000,000 0 0
Goodwill			280,000 0 0
Machinery and Plant as at 31st August 1899		500,000 0 0	
Add Repairs and Renewals during the year		50,000 0 0	
		550,000 0 0	
Less Sale of old Steam-power Fittings (cost £25,000)		10,000 0 0	
		540,000 0 0	
Reserve for Depreciation set aside in year ended 31st August 1898 ..	50,000 0 0		
Reserve for Depreciation set aside in year ended 31st August 1899 ..	50,000 0 0		
Reserve for Depreciation set aside this year ..	50,000 0 0		
		150,000 0 0	
			390,000 0 0
Cost of installation of Electric motive power, instead of Steam			30,000 0 0
Stock of Raw Materials at market price (cost £50,000)		60,000 0 0	
Stock of finished Goods at market price, *less* allowance to cover selling expenses		30,000 0 0	
Stock of Sundries		1,500 0 0	
			91,50c 0 0
Trade Debtors, *less* Reserve for Doubtful Debts and Discounts			50,000 0 0
Unworked Dead Rents			10,000 0 0
Workmen's Compensation Account, claims paid this year		3,000 0 0	
Less amount set aside to date at £300 per annum		900 0 0	
			2,100 0 0
Cash at the Bank		40,000 0 0	
Cash and Bills in hand		2,000 0 0	
			42,000 0 0
Loss for year ended 31st August 1899 ..			100,000 0 0
			£1,995,600 0 0

Subject to our report of even date the above Balance Sheet is, in our opinion, a full and fair Balance Sheet, containing the particulars required by the Company's regulations, and properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs.

L. H. HARDMAN, Liverpool.
H. S. FERGUSON, Manchester.
Chartered Accountants, Auditors.

Manchester,
1st October 1900.

MANCHESTER AND LIVERPOOL CHARTERED ACCOUNTANTS STUDENTS' SOCIETIES (JOINT MEETING)

THE WESSEX ENGINEERING COMPANY, LIMITED AND REDUCED.

NOTICE is hereby given that an Extraordinary General Meeting of the Company will be held on the 31st day of October 1901, at the CITY HALL, EBERLE STREET, LIVERPOOL, at the conclusion of the Ordinary General Meeting to be held at the same place on the same day, but not earlier than 7.30 P.M., for the purpose of considering and—if thought fit—passing the following resolutions, that is to say:—

1.—That this Company be wound up voluntarily.

2.—That Mr. O. B. JUST, of Liverpool, Chartered Accountant, be and he is hereby appointed Liquidator for the purposes of such winding-up.

3.—That the Liquidator be and he is hereby authorised to sell the whole of the Company's undertaking, property, and assets (exclusive of uncalled capital) to the X Syndicate for the sum of £1,141,600 payable as follows:—as to £1,074,250 in cash payable to the Liquidator within two months from the confirmation of these resolutions, and as to the balance of £67,350 by paying, satisfying, discharging, and fulfilling all the debts, liabilities, expenses, and engagements of this Company as disclosed in a Schedule which for the purpose of identification has been signed by representatives of the Syndicate and of this Company.

4.—That the sum of £500 be and it is hereby voted for the remuneration of the Liquidator, and all other expenses of the winding-up.

Should the above resolutions be passed by the requisite majority they will be submitted for confirmation as a Special Resolution to a Second Extraordinary General Meeting, which will be subsequently convened.

THE CITY HALL,
EBERLE STREET,
LIVERPOOL.

BY ORDER OF THE BOARD.

16th October 1901.

MANCHESTER AND LIVERPOOL CHARTERED ACCOUNTANTS STUDENTS' SOCIETIES.

THE WESSEX ENGINEERING COMPANY, LIMITED.

BALANCE SHEET, as at 28th February 1901.

Capital and Liabilities.

	£	s	d	£	s	d
NOMINAL CAPITAL—						
100,000 Ordinary Shares of £10 each ..	1,000,000	0	0			
100,000 5 per cent. Preference Shares of £10 each	1,000,000	0	0			
	£2,000,000	0	0			
SUBSCRIBED CAPITAL—						
50,000 Ordinary A Shares of £10 each, fully paid	500,000	0	0			
50,000 Ordinary B Shares of £10 each, £5 paid	250,000	0	0			
100,000 Preference Shares fully paid ..	1,000,000	0	0			
				1,750,000	0	0
DEBENTURES—						
1,000 5 per cent. Debentures, of £100 each, issued 28th February 1900, at £95 per cent. and redeemable at par in 10 years				95,000	0	0
Trade Creditors				53,500	0	0
Reserve Fund as at 31st August 1900 ..	10,000	0	0			
Added per Resolution of 29th October 1900	10,000	0	0			
				20,000	0	0
				£1,918,500	0	0

Property and Assets.

	£	s	d	£	s	d
Mining Concession, Land and Buildings at Cost ..				1,000,000	0	0
Goodwill				280,000	0	0
Machinery as at 31st August 1900 ..	£390,000	0	0			
Depreciation, half-year	25,000	0	0			
				365,000	0	0
Cost of Installation of Electric Motive Power, instead of Steam				30,000	0	0
Stocks on hand—						
Raw Materials and Finished Goods				76,650	0	0
Trade Debtors, less Provision against Loss				43,700	0	0
Cash in hand, and at Bank				12,300	0	0
Profit and Loss Account—						
Balance, 31st August 1899	100,000	0	0			
Less Amount carried forward per Resolution of 29th October 1900 ..	4,000	0	0			
	96,000	0	0			
Loss for six months ending 28th February 1901	14,850	0	0			
				110,850	0	0
				£1,918,500	0	0

The above Account is supposed to have been laid before a Meeting of the Members in April 1901, when a Committee of Shareholders was appointed to investigate and report upon the Company's affairs.

RECONSTRUCTION SCHEME AS RECOMMENDED BY COMMITTEE OF SHAREHOLDERS.

Floating Assets having fallen below £150,000, Debentures are redeemable at 96 per cent. under terms of Trust Deed, and pressure is exercised by Trustee for Debenture Holders.

PROPOSALS.

Endeavour to settle with Debenture Holders at 96 per cent. free of accruing interest and expenses.

Reduce existing Capital of Company thus:—

A Shares to £7 each fully paid.
B ,, ,, £7 ,, £3 10s. paid.
Preference ,, ,, £9 ,, fully paid.

Issue further Capital by way of First Preference Shares, viz.:—30,000 Shares of £5 each, and call the whole amount—*pro rata* allotment to all existing Members.

Write off the values of the fixed Assets and the adverse balance on Revenue Account to the extent of the reduction in the existing Capital.

Re-assess the value of the Machinery and Plant at £350,000.

Continue trading.

It is assumed that all these proposals were adopted and carried through; the consent of the Court obtained to the reduction of the Capital; the consent of the Debenture Holders and Shareholders obtained as regards their respective matters, and the issue of the First Preference Shares to existing Shareholders duly effected. The position of affairs would then be as annexed, dating the Accounts as 28th February 1901.

MANCHESTER AND LIVERPOOL CHARTERED ACCOUNTANTS STUDENTS' SOCIETIES.

THE WESSEX ENGINEERING COMPANY, LIMITED.

EFFECT OF RECONSTRUCTION SCHEME ON BALANCE SHEET, 28th February 1901.

Capital and Liabilities.

	£ s d	£ s d
NOMINAL CAPITAL—		
50,000 A Ordinary Shares of £7 each	350,000 0 0	
50,000 B Ordinary Shares of £7 each	350,000 0 0	
100,000 Five per Cent. Preference Shares of £9 each	900,000 0 0	
30,000 First Preference Shares of £5 each	150,000 0 0	
	£1,750,000 0 0	
SUBSCRIBED CAPITAL—		
50,000 A Shares £7 each, fully paid..	350,000 0 0	
50,000 B Shares, £7 each, £3 10s. paid	175,000 0 0	
100,000 Preference Shares, £9 each, fully paid..	900,000 0 0	
30,000 First Preference Shares, £5 each, fully paid (new issue) ..	150,000 0 0	
		1,575,000 0 0
Trade Creditors		53,500 0 0
		£1,628,500 0 0

Property and Assets.

		£ s d	£ s d
Mining Rights, &c.		1,000,000 0 0	
Goodwill		280,000 0 0	
Machinery and Plant		395,000 0 0	
Profit and Loss Account		110,850 0 0	
Debentures, 1 per cent. on Redemption		1,000 0 0	
		1,786,850 0 0	
Less Reserve Fund		20,000 0 0	
		1,766,850 0 0	
Less Reduction of Capital		325,000 0 0	
		£1,441,850 0 0	
Mining Rights and Goodwill			1,091,850 0 0
Machinery and Plant			350,000 0 0
Stocks			76,650 0 0
Trade Debtors			43,700 0 0
Cash in Hand and at Bank		12,300 0 0	
Add Cash for First Preference Shares ..	£150,000 0 0		
Less Debentures redeemed	96,000 0 0		
		54,000 0 0	
			66,300 0 0
			£1,628,500 0 0

BALANCE SHEET as at 31st August 1901.

Capital and Liabilities.

	£ s d	£ s d
NOMINAL CAPITAL—		
50,000 A Ordinary Shares of £7 each	350,000 0 0	
50,000 B Ordinary Shares of £7 each	350,000 0 0	
100,000 Five per Cent. Preference Shares of £9 each	900,000 0 0	
30,000 First Preference Shares of £5 each	150,000 0 0	
	£1,750,000 0 0	
SUBSCRIBED CAPITAL—		
50,000 A Shares, £7 each, fully paid..	350,000 0 0	
50,000 B Shares, £7 each, £3 10s. paid	175,000 0 0	
100,000 Preference Shares, £9 each, fully paid..	900,000 0 0	
30,000 First Preference Shares, £5 each fully paid (new issue)	150,000 0 0	
		1,575,000 0 0
Trade Creditors		67,350 0 0
		£1,642,350 0 0

Property and Assets.

	£ s d	£ s d
Mining Concession, Land, and Buildings at Cost ..		1,091,850 0 0
Machinery and Plant	£350,000 0 0	
Depreciation, half-year	25,000 0 0	
		325,000 0 0
Stocks		87,500 0 0
Trade Debts		58,300 0 0
Cash in Hand and at Bank		3,600 0 0
PROFIT AND LOSS ACCOUNT—		
Loss 6 months to date	73,100 0 0	
Reconstruction Expenses	3,000 0 0	
		76,100 0 0
		£1,642,350 0 0

AUDITORS' CERTIFICATE.

Pursuant to Section 23 of the Companies Act, 1900, we hereby certify that all our requirements as Auditors have NOT been complied with.

A. B.
C. D. } *Chartered Accountants.*

Auditors.

Liverpool, 9th October 1901.

AUDITORS' REPORT.

We have examined the above Balance Sheet with the Accounts and Vouchers relating thereto, and we have to report that subject to our Certificate annexed hereto, and to a further report which we have made to the Shareholders, the Balance Sheet is properly drawn up so as to show a true and correct view of the state of the Company's affairs on 31st August 1901, as shown by the books of the Company.

A. B.
C. D. } *Chartered Accountants.*

Auditors.

Liverpool, 9th October 1901.

MANCHESTER AND LIVERPOOL CHARTERED ACCOUNTANTS STUDENTS' SOCIETIES.

THE WESSEX ENGINEERING COMPANY, LIMITED.

The Auditors' Report and Certificate will be read and discussed at the Ordinary Meeting of Shareholders, but the hopelessness of the Company is now generally admitted, and it is decided that steps be taken to wind up the Company voluntarily. A Syndicate has offered to take over the whole undertaking on the following terms—the Capital to be repaid to the Shareholders in Cash.

Capital and Liabilities.	Balance Sheet. £ s d	Syndicate's Offer. £ s d	*Property and Assets.*	Balance Sheet. £ s d	Syndicate's Offer. £ s d
Capital	1,575,000 0 0	1,073,750 0 0	Mining Rights, &c.	1,091,850 0 0	750,000 0 0
Trade Creditors	67,350 0 0	67,350 0 0	Machinery and Plant	325,000 0 0	250,000 0 0
Expenses of Liquidation	..	500 0 0	Stocks	87,500 0 0	84,000 0 0
			Trade Debts	58,300 0 0	54,000 0 0
			Cash	3,600 0 0	3,600 0 0
			Profit and Loss Account	76,100 0 0	
	£1,642,350 0 0	£1,141,600 0 0		£1,642,350 0 0	£1,141,600 0 0

This offer has been accepted by the Directors subject to confirmation by the Shareholders.

PROPOSED DISTRIBUTION OF CAPITAL.

Both Classes of Preference Shares to be paid in full leaving £23,750.

But—

(1)—If A. and B. Shares take proportionally to the Amounts paid up respectively then—

A Shares receive 6s. 4d. per Share.

and B Shares receive 3s. 2d. per Share.

Whereas—

(2)—If B. Shareholders are asked to pay up their calls, and then rank with the A. Shareholders *pari passu*—

A Shares receive £1 19s. 9d. per Share.

and B. Shares pay £1 10s. 3d. per Share.

These Methods will be discussed at the Extraordinary Meeting of Shareholders, the Directors and several of the largest Ordinary Shareholders holding different views upon the method of division.

Note.—The general rule upon the point may be controlled by the regulations of a Company.

THE CHARTERED ACCOUNTANTS STUDENTS' SOCIETY OF EDINBURGH.

THE NEW GUINEA GOLD MINING COMPANY, LIMITED.

NOTICE IS HEREBY GIVEN, that the SECOND ANNUAL GENERAL MEETING OF SHAREHOLDERS will be held within No. 27 QUEEN STREET, EDINBURGH, on THURSDAY, 23rd JANUARY 1902, at 8.30 P.M.

And Notice is hereby also given, that at the same place and on the same day, at 8.45 P.M., or as soon thereafter as the business of the above-mentioned Meeting is concluded, an EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS will be held for the purpose of considering, and, if approved of, passing the following resolutions :—

1. That an Agreement dated 9th January 1902, entered into between this Company and the Chartered Company of British New Guinea, relating to the transference of the business, property, and undertaking of this Company to the said Chartered Company, in exchange for Shares in the Chartered Company and Cash, is hereby approved and confirmed.

2. That in order to the carrying out of this Agreement, this Company is hereby required to be wound up voluntarily.

3. That this Company be wound up voluntarily.

4. That T. Quest, C.A., be appointed, and is hereby appointed, Liquidator of this Company, for the purpose of winding-up the affairs and distributing the Assets thereof, and that with the powers conferred upon Liquidators by the Companies Act, 1862, and Acts amending and extending the same.

5. That the Liquidator may make such modification in the terms of the Agreement mentioned in Resolution 1 as he may deem expedient, and do all things as he may find convenient or necessary for carrying the said Agreement into effect.

6. That the Liquidator may and shall receive the Ordinary Shares in the Chartered Company of British New Guinea, to be allotted in terms of the Agreement mentioned in Resolution 1, and may and shall distribute the same among the Members of this Company as follows, namely:—Every holder of Eight Ordinary Shares in this Company shall receive Nine Shares of the Chartered Company of British New Guinea, and the Liquidator shall, out of moneys to be received from the said Chartered Company, purchase all rights of the Shareholders of this Company to fractional holdings in the Chartered Company; every holder of Founders' Shares in this Company shall receive Five Ordinary Shares in the Chartered Company for every Founders' Share held by him in this Company. Further, that the Liquidator shall receive in cash from the Chartered Company of British New Guinea, and shall distribute amongst the Shareholders of this Company according to their rights, the sum at the credit of Profit and Loss Account in this Company's Balance Sheet as at 30th June 1901.

By Order,

W. H. GRAY,

Secretary.

REGISTERED OFFICE,
EDINBURGH, 15*th January* 1902.

THE CHARTERED ACCOUNTANTS STUDENTS' SOCIETY OF EDINBURGH.

THE NEW GUINEA GOLD MINING COMPANY, LIMITED.

Directors.

H. P. MACMILLAN, Esq., Advocate, *Chairman.*

Admiral FLEET. | Hon. ANTHONY NOBLE.
Colonel CHARLES. | JEREMY SMART, Esq.

WILLIAM ANNAN, Esq., *Managing Director.*

Secretary—W. H. GRAY.

Law Agents—Messrs. MUCH-MALEIND BROTHERS.

Auditor—T. QUEST, C.A.

REPORT BY THE DIRECTORS

To the Second Annual General Meeting of Shareholders,

to be held within No. 27 QUEEN STREET, EDINBURGH, on THURSDAY, 23rd JANUARY 1902.

The Directors have pleasure in reporting that the operations of the Company during the past year have been highly successful, and that the realised net profit for the year is £10,000. Out of this sum a dividend at the rate of 5 per cent. falls to be paid to the Ordinary Shareholders. This will absorb £4,500, and the Directors recommend that the balance (£5,500), together with interest on calls in arrear (£80), in all £5,580, be divided amongst the Shareholders, in accordance with the Memorandum of Association of the Company.

Notwithstanding the large profit on the past year's working, the Directors have had under their grave consideration the very serious oulay incurred for management in New Guinea. As a result of inquiries they have made, the Directors are satisfied that the Company cannot be continued in its present methods of work without heavy expenditure for management in New Guinea.

They have, therefore, opened negotiations with the Chartered Company of British New Guinea, which has large interests among the Owen Stanley Mountains, where the Company's mine is situated, and whose engineering and management staff will be able to control the working of the mine in a satisfactory and efficient fashion at a very great saving. After much correspondence and many meetings, the Chartered Company of British New Guinea has offered to purchase this Company's whole property, plant, and other Assets, on the footing of the annexed Balance Sheet as at 30th June 1901, to assume liability for the Debentures, and to pay in cash to the Liquidator for distribution amongst the Shareholders, according to their respective rights, the balance of £10,000 appearing at the credit of Profit and Loss Account in that Balance Sheet.

The offer made by the Chartered Company is that for every Ordinary Share of this Company there should be given 1½ Share in the Chartered Company, and for every Founder's Share there should be given five Shares in the Chartered Company. Such portions of Shareholders' holdings in this Company as will result in fractional holdings in the Chartered Company will be paid off in cash at the rate of £1 1s. 3d. per Share of the Chartered Company to which the Shareholder is entitled. The present market value of the Shares of the Chartered Company is £1 1s. 3d., at which price they have stood for some months.

Arrangements have been made whereby all officials of the Company will be taken over by the Chartered Company at their present remuneration, and an understanding has been come to, that two Directors of this Company will be invited to join the Board of the Chartered Company.

In view of the strong position of the purchasing Company, and of the confidence of the public therein, as evidenced by the premium which its Shares command on the market, it has not been thought necessary to consult the Debenture Holders as to their wishes in connection with the proposed sale.

Provision has been made in the Agreement with the purchasing Company whereby it will issue free of charge Debenture Stock Securities for sums equal to the amounts of the principal moneys due on the present documents of debt, upon these being surrendered by the Debenture Holders. The Directors presume that the Debenture Holders will take advantage of this provision.

The Shareholders will, no doubt, be pleased to know that the Directors have succeeded in completing the purchase of the patent hydraulic extracting machine referred to in last Report. The price has, meantime, been entered in the Balance Sheet, partly under the heading Mining Rights and Plants, and partly under the heading Subsidiary Patent Rights.

In accordance with the provision of the new Companies Act, the Auditor's Report on the Accounts will be read to the Meeting. At the suggestion of the Auditor, the Report has not been printed, as in former years, at the foot of the Balance Sheet.

In terms of the Articles, two of the Directors, Admiral Fleet and Colonel Charles, retire at this time, but, being eligible, offer themselves for re-election.

The Auditor also retires, but is eligible for re-election.

By order of the Directors.

W. H. GRAY,

Secretary.

EDINBURGH, 15th *January* 1902.

THE CHARTERED ACCOUNTANT STUDENTS SOCIETY OF EDINBURGH.

THE NEW GUINEA GOLD MINING COMPANY, LIMITED.

BALANCE SHEET, as at 30th June 1901.

Liabilities.

CAPITAL AUTHORISED AND ISSUED.			
Authorised—			
90,000 Ordinary Shares of £1 each.			
10,000 Founders' Shares of £1 each.			
The free surplus profits in each year, after 5 per cent. has been paid on the Ordinary Shares, is divisible, one-half among the holders of Ordinary Shares, and one-half among the holders of Founders' Shares.			
Issued—			
90,000 Ordinary Shares of £1 each			£90,000
Less calls in Arrear			1,000
			89,000
10,000 Founders' Shares of £1 each, fully paid			10,000
			99,000
RESERVE—			
Premium received on issue of £50,000 5 per cent. Debentures		£5,000	
Premium received on 30,000 Ordinary Shares issued during year		3,000	
Calls received and Premium obtained on re-issue of 1,000 Ordinary Shares, 10s. paid, forfeited during the year		600	
			8,600
DEBENTURES—			
Debentures bearing interest at 6 per cent. per annum, and repayable at par in 1910			50,000
SINKING FUND FOR REDEMPTION OF DEBENTURES—			
Amount provided from out of profits last year ..		£1,000	
Do. this year		1,000	
			2,000
PROFIT AND LOSS ACCOUNT—			
Thus, profit on working for year		21,000	
Less Expenses of Management in New Guinea	£9,000		
Expenses in Great Britain ..	1,000		
Sum set aside toward Sinking Fund for Redemption of Debentures	1,000		
		11,000	
			10,000
			£169,600

Assets.

MINING RIGHTS AND PLANT—		
Amount paid to Vendor		£50,000
Added during previous year	£25,000	
Do. do. this year..	80,000	
		105,000
		155,000
Subsidiary Patent Rights		4,900
Preliminary Expenses		2,000
Office Furniture, Fittings, &c.		100
Sums in hands of Officials in New Guinea		7,000
Cash at Bankers and in hand		600
		£169,600

EDINBURGH, *14th January* 1902.—In accordance with the Companies Act, 1900, I hereby certify that all my requirements as Auditor have been complied with.

T. QUEST, C.A., *Auditor*.

CHARTERED ACCOUNTANT STUDENTS SOCIETY OF LONDON.

MOCK SHAREHOLDERS' MEETING.

THE EMPIRE SUGAR ESTATES (1900), LIMITED.

Directors:

LORD SMOOTHEMDOWN, *Chairman* (MR. W. C. NORTHCOTT, A.C.A.).

SIR TIMOROUS TRUSTFUL, *Deputy-Chairman.* A. CYPHER-BLANK, ESQ., *Director.*

WRIGGLE WIDEAWAKE, ESQ., *Managing Director* (MR. F. G. BOWERS, A.C.A.).

Solicitor:

REDDE SEALE, ESQ. (MR. R. F. W. FINCHAM, A.C.A.).

Auditors:

TRANSFER, TICKEM & CO. (MR. J. MYERS).

Secretary:

O. GELATINOUS-PLIABLE, ESQ. (MR. S. G. COLE, F.C.A.).

Registered Offices:—ETHEREAL HOUSE, FAIRYLAND.

REPORT OF THE DIRECTORS.

For the year ending 30th September 1905.

GENTLEMEN,—

Your Directors have pleasure in presenting their Fifth Annual Report.

The conditions of trade during the past year have been generally unfavourable, and this circumstance has adversely affected the Company's operations both at home and abroad.

	£ s d	£ s d
After making, in the opinion of your Directors, ample provision for all contingencies, and expenses incidental to the conduct of the business, the balance of profits for the year amounts to		4,450 0 0
To which must be added the undistributed profits brought forward from 1904		5,300 0 0
		9,750 0 0
One year's dividend on the Preference Shares has been paid		4,750 0 0
Leaving an available profit of		5,000 0 0
The Directors recommend a dividend of 3 per cent. on the Ordinary Shares ..	£2,250 0 0	
A Transfer to Bonus and Benevolent Fund of	750 0 0	
		3,000 0 0
And that there be carried forward to next Account a balance of		£2,000 0 0

Lord Smoothemdown retires by rotation and offers himself for re-election.

The Auditors also retire, and, being eligible, offer themselves for re-election.

SMOOTHEMDOWN,
Chairman.

CHARTERED ACCOUNTANT STUDENTS SOCIETY OF LONDON.

THE EMPIRE SUGAR ESTATES (1900), LIMITED.

BALANCE SHEET, September 30th 1905.

LIABILITIES.

	£ s d	£ s d	£ s d
To Nominal Capital—			
100,000 Ordinary Shares of £1 each		100,000 0 0	
100,000 Five per cent Preference Shares of £1 each		100,000 0 0	
		£200,000 0 0	
" Issued Capital—			
100,000 Ordinary Shares of £1 each		100,000 0 0	
100,000 Five per cent. Preference Shares of £1 each		100,000 0 0	200,000 0 0
" First Mortgage Debentures— Five per cent. Debentures Redeemable at par 30th September, 1915, issued at 95			46,250 0 0
" Creditors for Loans, Interest and Dividends		11,250 0 0	
" Do. on open Trade Accounts and Bills		77,625 0 0	
" Do. fully secured		15,000 0 0	
" Acceptances under discount		25,000 0 0	
" Income Tax and other commitments..		3,125 0 0	132,000 0 0
" Reserves—			
For General Contingencies ..		29,250 0 0	
For Bad and Doubtful Debts ..		2,500 0 0	
For Amortization of Leaseholds ..		3,000 0 0	34,750 0 0
" Debenture Redemption and Depreciation Fund			25,000 0 0
" Profit and Loss—			
Profit for the year		4,450 0 0	
Add Balance of Undivided Profits at 30th Sept., 1904	8,550 0 0		
Less: Dividend on Ordinary Shares for the Year to 30th September 1904, at 3½ % per annum ..	2,500 0 0		
	6,050 0 0		
Less Amount allocated to Bonus and Benevolent Fund	750 0 0	5,300 0 0	
		9,750 0 0	
Less Dividend on 5 per cent. Preference Shares for the year ended 30th September 1905 ..		4,750 0 0	5,000 0 0
			£443,000 0 0

ASSETS.

	£ s d	£ s d	£ s d
By Properties comprising Freehold and Leasehold Land, Buildings, Machinery, Factories, and Goodwill, at cost, as per last Balance Sheet		260,000 0 0	
Add Additions to Properties during the Year, *less* realisations		7,500 0 0	
		267,500 0 0	
Less Improvement and Extension Fund. Balance at 30th Sept. 1904	23,500 0 0		
Add Amount set aside from Profits to 30th September 1905 ..	2,750 0 0		
	26,250 0 0		
Deduct Outlay on Renewal of Properties, &c., during the year, other than ordinary repairs charged to Revenue	8,750 0 0	17,500 0 0	250,000 0 0
" Sundry Investments, Loans and Shares in affiliated undertakings, including accrued dividends ..			15,000 0 0
" Furniture, Fixtures, and Head Office Premises at cost, *less* Premises Redemption Fund			2,000 0 0
" Stock in Trade—			
Manufactured Sugar in Store and afloat		17,000 0 0	
Raw Materials, Growing Crops and Stores on hand		38,000 0 0	55,000 0 0
" Trade Debtors (*less* discount) including customers' unmatured acceptances		75,000 0 0	
" Rates, Taxes, Insurances, and Discount prepaid		500 0 0	75,500 0 0
" Uncalled Capital—			
10s. per Share on 50,000 Ordinary Shares of £1 each		25,000 0 0	
Calls in arrear on 10,000 Preference Shares issued with 10s. paid thereon in respect of purchase-money		3,500 0 0	28,500 0 0
" Cash in Bank at home and abroad ..		1,000 0 0	
" Cash, Bills, &c., in hand		6,250 0 0	7,250 0 0
" Expenditure carried forward—			
Preliminary Expenses, including Discount on Debentures		5,750 0 0	
Loss brought forward from 30th September 1903		4,000 0 0	9,750 0 0
			£443,000 0 0

Issued and approved by SMOOTHEMDOWN (*Chairman*). A. CYPHER-BLANK, *Director*. O. GELATINOUS-PLIABLE, *Secretary*.

In accordance with the provisions of the Companies Act, 1900, we certify that all our requirements as Auditors have been complied with. In our opinion, however, the Uncalled and unpaid Capital should be deducted from the Issued Capital.

October 8th 1905.

TRANSFER, TICKEM & CO., *Auditors*.

CHARTERED ACCOUNTANT STUDENTS SOCIETY OF LONDON.

THE EMPIRE SUGAR ESTATES (1

PROFIT AND LOSS ACCOUNT. For the year end

	£ s d	£ s d	
To Head Office and General Maintenance Expenses in England		12,250 0 0	By Profits for the Profits in and Guar
" Professional Charges (Accountants) ..		525 0 0	*Add* Proceeds Sugar I relinqu namely
" Directors' Fees—			
Paid in Cash	2,200 0 0		
Paid in Shares	300 0 0		
		2,500 0 0	
" Estimated Office Expenses at Cienfuegos and Villa Clara, not yet advised		2,725 0 0	" Transfer Fees
" Balance carried down		25,225 0 0	
		£43,225 0 0	
To Amounts Allocated—			
Improvements and Extension Fund	2,750 0 0		By Balance broug
General Contingencies Fund ..	5,500 0 0		
Amortization of Leaseholds ..	560 0 0		
Head Office Premises Redemption Fund	540 0 0		
		9,350 0 0	
" Preliminary Expenses, Proportion written off		2,000 0 0	
" Interest on Loans and Debentures, *less* Tax		2,750 0 0	
" Debenture Redemption and Depreciation Reserve		5,000 0 0	
" Income Tax payable		1,675 0 0	
" Balance carried down		4,450 0 0	
		£25,225 0 0	
			By Balance broug

CHAPTER XXIV.

MISCELLANEOUS PROBLEMS IN ACCOUNTS.

IN the preceding chapters the more usual problems arising in connection with general business undertakings have been considered at length in due sequence. It is proposed to devote the present chapter to the elucidation of certain matters which it has not been necessary to hitherto discuss in order to make clear the best treatment in connection with other problems afterwards described, but which on account of their intrinsic importance call for description in these pages, if the present work is to put forward any claim towards approaching completeness. The various matters that now remain to be described have been postponed, because they form no part of the sequence upon which the preceding pages are based; none the less are they matters which merit the careful attention of the student of accounting.

EMPTIES.

In the case of a number of industries the most convenient treatment of Empties is a matter of very considerable importance. If an inadequate system be provided, the result will, in all probability, be that whereas the matter engages a considerable portion of the time of the bookkeeping staff, serious losses are yet experienced from this source, dissatisfaction given to customers, and perhaps in addition a misleading view of the position shown by the books. When the Empties are of considerable value a reliable system is, of course, especially important; but, where Empties are charged for at all, it is essential that the method of accounting employed in connection with them should be one that works smoothly in practice, shows reliable results, and at the same time does not make excessive demands on the time of the bookkeeping staff.

This being a general work, it is proposed to describe the various alternative systems of accounting for Empties in general terms, indicating the principles upon which they are founded, and their relative advantages. In applying these principles to individual cases, it is, of course, important in the first instance to become fully acquainted with the practical requirements of those cases, and the systems described may require modification in detail in order that these requirements may be met to the best advantage. It is thought, however, that this task of adaptation may be readily accomplished so long as the general principles are made clear; whereas, had the alternative course been pursued of explaining in detail systems suitable to one or two specific industries, the formulation of a scheme suitable for other undertakings would not have been so obvious.

First Method.—

When Empties are charged to customers at a price which is allowed in full upon their return in good condition, and the almost invariable practice is for them to be returned promptly (so that in point of fact customers never pay for Empties, except such as may be lost), the question arises as to whether it is worth while to make *any* record in the financial

books until it becomes necessary to call upon a customer to pay. This postponing of entries has the advantage of saving a considerable amount of clerical labour, but the extra trouble involved when it becomes necessary to make a charge militates against this system if such charges are likely to be numerous. When, however, circumstances render its adoption suitable, the system may be readily worked in practice by treating the Empties on exactly the same lines as goods sent out on approval—the transactions being, indeed, for all practical purposes, identical. In the Nominal Ledger, Accounts should be opened to record transactions in each class of Empties, and these from time to time should show, as a debit balance, the value of the Empties in hand, or in the hands of customers pending return. Such accounts should be debited with the cost of further purchases and repairs (if any), and credited with the total sum charged for Empties not returned, the difference on the account from time to time showing the profit, or loss, as shown by the following

EXAMPLE:

Dr. CASES ACCOUNT. *Cr.*

			£ s d				£ s d
1902 Jan. 1	To Stock	2,000	200 0 0	1902 Dec. 31	By Customers—(for Cases not returned)	800	100 0 0
Dec 31	„ Purchases..	500	100 0 0		„ Stock (carried down) ..	1,600	160 0 0
	„ Repairs	..	20 0 0		„ Loss transferred to Profit and Loss Account	100	60 0 0
		2,500	£320 0 0			2,500	£320 0 0
1903 Jan. 1	To Stock	1,600	160 0 0				

Second Method.—

When the conditions are the same as under Method I., save that the necessity for charging customers is comparatively frequent, the balance of advantage is generally in favour of the Empties being at once charged up to customers. The total charges for Empties must, however, of course, be kept separate from the Day Book totals, in order that the nominal accounts may be correctly posted, and in the same way allowances for Empties Returned must be kept separate from Sales Returns. This separation is as a rule most readily performed by the addition of a special money column to the Day Book and the Sales Return Book; but in some cases it may be found to sufficiently answer all practical requirements if the weekly, or monthly, totals be analysed before any postings are made to the nominal accounts. The entries in respect of Empties may either be posted in the ordinary way to the Sold Ledger Accounts, or in some cases it may be found convenient to employ a separate money column in the Sold Ledger for these transactions. One advantage of such additional money columns is that the Empties have probably been charged to customers at a profit, which, of course, will not be realised (or only partially realised) if they are returned and allowed for in due course: at balancing time, therefore, it is generally necessary to make some Reserve against the amount charged to customers for Empties in their hands, in order to avoid undue inflation of profits. If the aggregate amount of outstanding debits in respect of Empties be ascertained (as is readily possible with the two-column Ledger), the amount of this Reserve may be at once arrived at. When, however, the introduction of a double column is considered undesirable, the amount of the Reserve can as a rule be readily gauged, if a statistical column be provided in the Ledger showing (in quantities only) the number of Empties in customers' hands from time to time.

This latter plan, however, is only suitable where the Empties are all of the same description (*e.g.*, the bottles of a mineral water company, the sacks of a miller, &c.); in a general business, where several different classes of Empties have to be accounted for, the statistical column would be impracticable, as no reliable valuation could be placed upon Empties generally, and a separate column in the Ledger for the quantities of each class of Empty would be out of the question.

Third Method.—

Another plan that is often adopted in practice, and which is to some extent a variation of Method I., is to keep an "Empties Ledger," showing the amount of Empties in the hands of each customer in an account opened in his name. When there are numerous different kinds of Empties it will often be found that, in the long run, the keeping of a Statistical Ledger upon these lines is a saving, rather than an expenditure, of additional labour. It may be kept in quantities only, and should provide a distinct column for each description of empty.

Fourth Method.—

The system of accounts described in Chapter XVIII. is one that readily lends itself to the record of transactions in Empties, and may usefully be applied when the Empties are of sufficient value to make it really desirable that a careful record should be kept—as, for example, when they consist of specially constructed packing cases, casks, or mineral-water syphons. The plan adopted is somewhat upon the lines of the Card Ledger already described on page 221; but in reality it is practically identical with the "Chaldean" system, which (as stated upon page 213) is the basis upon which all classes of bookkeeping "without books" are founded. A certain number of cards, or tallies, are prepared, each of which has a distinctive number, corresponding with the number given to an Empty. While these Empties remain in the warehouse, the tallies corresponding to them remain in a corresponding division, or framework, so arranged that any desired number can be at once taken out as required. As Empties are issued to customers, the corresponding tallies are taken out of the "warehouse" frame and placed in a division, or compartment, set aside to record the Empties in the hands of that particular customer. The tally remains in the customer's division until the Empty is either returned or charged for as missing. In the former case, the tally is returned to the Warehouse frame, in the latter case it is handed over to the clerk in charge of the department to be cancelled. The great advantage of this system is that, with only a very ordinary amount of care, it can be perfectly well undertaken by quite illiterate persons; while a further advantage is that it is just as simple to keep a record of a number of different classes of Empties as it would be if all were of the same description. When, however, the system is applied to the record of several different classes of entries, it is convenient that the tallies in respect of each class should be differently coloured, so that the distinctions may be readily discernible at a glance. An effective control over the record may be retained, provided the man responsible for empties cannot obtain access to the warehouse frame.

GOODS ON SALE OR RETURN.

If it be quite unusual for the business to send out goods on approval, no necessity arises for making any special provision in the books for the record of these transactions, any more than one would ordinarily provide special books for the record of any other transactions of a quite unusual nature. In such cases it will meet all practical requirements sufficiently well if the original entry on the forwarding of the goods be passed through the Day Book and posted to the Sold Ledger in the ordinary way, a note being appended to the Day Book entry (if necessary) to indicate that the customer has a right to return these goods if not approved of. In the event of the goods, or any portion of them, being returned, the record would be passed in the usual way through the Sales Returns Book, and credited to the customer's account in the Sold Ledger.

When, however, transactions of this description are numerous, it becomes necessary to provide a special means of recording them in order (1) to save time, (2) to enable the goods out on "appro." to be readily watched, (3) to avoid the total of *bonâ fide* Sales being over-stated at balancing time by the inclusion of purely speculative transactions. In the case of a general business, the most convenient plan is to provide a separate Day Book for "appro." transactions, ruled as shown in the following

EXAMPLE:

"APPRO." BOOK.

Goods Forwarded				Goods Returned			Goods Charged	
Date	Particulars	Details	Amount	Date	Particulars	Amount	Fo.	Amount
		£ s d	£ s d			£ s d		£ s d

All goods sent out on approval are entered in this Day Book in the ordinary way, the columns on the right of the thick line being, however, left blank. Goods returned are entered in the space provided for that purpose upon the right of the thick line, and the difference between the two entries (*i.e.*, the value of the goods retained) is extended into the extreme right-hand column and posted into the Sold Ledger. Only the extreme right-hand column, therefore, forms part of the financial system of accounts, and that column is treated as a Day Book. The rest of the "Appro." Book is for statistical purposes only. At balancing time the items representing goods remaining in the hands of customers may be brought forward to a new section of the book, so that the old section may be added up and the cross-totals agreed. The value of the goods remaining in the hands of customers, but not charged up, may be added to the inventory of Stock-in-trade, subject, of course, to deduction of the "loading" that represents the Gross Profit. In cases where Slip Ledgers are employed, appro. transactions may be readily recorded by the aid of slips coloured differently to those used for the record of sales or sales returns.

In the case of special industries—dealing perhaps with a single article which it may be necessary to send out on sale or return—it is often desirable to keep special tally of each such article. Under these circumstances, the tally system already described in connection with Empties may sometimes be found to meet the case. With others an adaptation of the Tabular System seems more convenient, a special book being kept, which combines the functions of a Stock Ledger and "Appro." Day Book, as shown in the following

EXAMPLE:

"APPRO." (AND STOCK) BOOK.

No of Article	Sent to	No. of Appro. Note	Amount	Returned			Charged up	
				Date	No of Credit Note	Amount	S. L. Fo.	Amount
			£ s d			£ s d		£ s d

ROYALTY ACCOUNTS.

Certain considerations arise in connection with the proper treatment of Royalties in accounts that call for attention here, by reason of the fact that a failure to understand the nature of these transactions may very easily cause an entire misapprehension as to the position of the undertaking. Royalties are paid to the owners of copyrights, and patent or mineral rights, in consideration of certain rights of user ceded by the owner. Thus publishers pay Royalties to authors for the right to produce and sell copyright works; manufacturers pay inventors Royalties for the right to embody patened inventions in their manufactures; and colliery, mine, and quarry owners pay Royalties for the right to extract from another's land the mineral of which they are in search.

Almost the only thing in common with these various classes of Royalties is that, as a rule, the amount payable, instead of being a fixed sum, varies with the extent to which the right is utilised—that is to say, with the *quantity* of business done of that particular description. When the Royalty paid is a fixed sum there is, from the point of view of accounting, no occasion to distinguish between Royalties and ordinary fixed expenses (*e.g.*, Rent, &c.), save that in a manufacturing business Royalties must always be regarded as an expense chargeable against Trading Account rather than Profit and Loss Account, forming (as they do) an essential item in the cost of production of the commodities dealt in. When, on the other hand, the amount of Royalty varies with the amount of business done, or with the output, the accounts must be so arranged as to lend themselves to a right calculation of the amount of such Royalty from time to time. Thus, in the case of a publisher, it is essential that detailed Stock Books should be kept, which will enable the number of copies sold of each work to be readily ascertained and verified; and in the case of a manufacturer holding a license from a patentee, the accounts must be designed to readily show the number of articles upon which the benefit contained in the license has been employed, so that the holder of the patent-rights may receive the amount to which he is entitled. It is unnecessary to explain in detail how these ends may be achieved in practice in individual cases, as the precise method adopted will naturally vary greatly according to the general system of accounts in use. It may be mentioned, however, that as in all probability these records will be liable to be produced to the owner of the rights, to enable him to verify the correctness of the amount of Royalties payable, it is important to so arrange the books as to prevent the necessity of at the same time disclosing other information in connection with the business which it may be thought desirable to keep private.

Occasionally the arrangement with regard to the payment of Royalties is such that no payment is due until the happening of a certain event—as, for example, until after the output has reached a certain figure; or *per contra* a fixed Minimum may be payable in any event, with a right to recover the excess of the Minimum over the Royalties out of future workings. In the first-named case it is important to bear in mind that the Royalties on the business actually done are at all times a charge against the profits of that business, even if (by special arrangement) they be not payable immediately. Such Royalties should accordingly be credited to a "Royalty Suspense Account" and debited to Revenue as incurred: upon the happening of the event under which they become actually payable the Royalty Suspense Account may be closed, and the balance transferred to the credit of the owner's Personal Account. In the second-named case the record is upon the lines that ordinarily obtain in connection with Royalties payable on mineral rights, which will now be discussed in detail.

ROYALTIES ON MINERALS.

As already stated shortly, the usual arrangement between the owner of mineral rights and the owner of the colliery, mine, or quarry engaged in exploiting those rights is upon the following lines:—

(1) A Royalty, based on the quantity of minerals raised, is payable to the owner.

(2) In any event a fixed minimum sum is payable to the owner annually.

(3) In the event of the Minimum Rent exceeding the Royalty on the output for the year, the excess of Royalties overpaid may be "redeemed" out of future workings in later years, when the amount of the Royalty exceeds the Minimum, or "Dead" Rent. In some localities, however, it is usual to qualify this right of recovery by limiting such a right to a period of three or five years; in other localities the right may be exercised at any time during the continuance of the arrangement.

The agreement between owner and worker takes the form of a lease, and it will therefore be convenient to speak of those parties respectively as the lessor and the lessee.

The exact mode of assessing the Royalty payable depends partly upon the nature of the mineral and partly upon local custom, but in nearly all cases it is a fixed rate per ton, per cubic yard, or per acre of the mineral-bearing region worked. It is invariably based upon the quantity of the output. If it be at the rate of so much per ton, the amount of the Royalty may be readily computed from an inspection of the books, which will in all cases show the weight of mineral raised from day to day; if, however, the basis be by measure, it is usual for surveyors, appointed by the lessor and lessee respectively, to from time to time examine the workings, and agree as to the quantity of mineral extracted during the period under review.

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PROBLEM.—A Colliery is worked under a lease granted by Lord X., at a royalty of 8d. per ton, with a minimum yearly rent of £1,000, with power to recoup short workings. In the first year 25,000 tons are worked; in the second, 26,500; in the third, 24,600; in the fourth, 31,000; and in the fifth, 30,500 tons.

How would you deal with the respective years' royalties, both in Profit and Loss, and in the Balance Sheet?

Dr. ROYALTIES ACCOUNT. *Cr.*

I.	To Lord X...	£833 6 8	I.	By Profit and Loss Account	£833 6 8
II.	To Lord X...	£883 6 8	II.	By Profit and Loss Account	£883 6 8
III.	To Lord X...	£820 0 0	III.	By Profit and Loss Account	£820 0 0
IV.	To Lord X...	1,000 0 0	IV.	By Profit and Loss Account	1,033 6 8
	,, Short-Workings Account	33 6 8			
		£1,033 6 8			£1,033 6 8
V.	To Lord X...	1,000 0 0	V.	By Profit and Loss Account	1,016 13 4
	,, Short-Workings Account	16 13 4			
		£1,016 13 4			£1,016 13 4

Dr. LORD X. *Cr.*

I.	To Cash	1,000 0 0	I.	By Royalties Account	833 6 8
				,, Short-Workings Account	166 13 4
		£1,000 0 0			£1,000 0 0
II.	To Cash	1,000 0 0	II.	By Royalties Account	883 6 8
				,, Short-Workings Account	116 13 4
		£1,000 0 0			£1,000 0 0
III.	To Cash	1,000 0 0	III.	By Royalties Account	820 0 0
				,, Short-Workings Account	180 0 0
		£1,000 0 0			£1,000 0 0
IV.	To Cash	£1,000 0 0	IV.	By Royalties Account	£1,000 0 0
V.	To Cash	£1,000 0 0	V.	By Royalties Account	£1,000 0 0

SHORT-WORKINGS ACCOUNT.

I.	To Lord X...	£166 13 4	I.	By Balance..	£166 13 4
II.	To Balance..	166 13 4	II.	By Balance..	283 6 8
	„ Lord X...	116 13 4			
		£283 6 8			£283 6 8
III.	To Balance..	283 6 8	III.	By Balance..	463 6 8
	„ Lord X...	180 0 0			
		£463 6 8			£463 6 8
IV.	To Balance..	463 6 8	IV.	By Royalties Account	33 6 8
				„ Balance..	430 0 0
		£463 6 8			£463 6 8
V.	To Balance..	430 0 0	V.	By Royalties Account	16 13 4
				„ Balance..	413 6 8
		£430 0 0			£430 0 0
VI.	To Balance..	£413 6 8			

NOTES.—Other names for "Short-Workings Account" are "Redeemable Dead Rent Account," "Overpaid Royalties Account," "Royalties Suspense Account," &c. The balance standing to the debit of this account is shown as an asset in each annual Balance Sheet; but it can only be properly so stated if there is good reason to suppose that it will be redeemed out of future workings, which in the above example seems somewhat doubtful.

ACTUARIAL VALUATIONS AND ACCOUNTS.

In the case of the vast majority of undertakings the only satisfactory system of accounting is by double-entry, under which it is possible to compile from time to time (*a*) a Revenue Account, showing the income and expenditure for the period under review, and the net profit (or loss) on the operations engaged upon; (*b*) a Balance Sheet, showing (as nearly as may be ascertained in the case of a going concern, *i.e.*, an uncompleted venture) the position of affairs to date, which by its nature automatically checks the arithmetical accuracy of the Revenue Account. As has already been explained, single-entry—which does not provide this automatical check—is defective, because it lacks the useful information that a Revenue Account affords, and also because of the risk that errors in the compilation of the statement of assets and liabilities may remain undetected. For these reasons, double-entry bookkeeping is to be found in connection with the accounts of nearly every undertaking of importance, but in the case of some industries the system cannot be applied in its entirety, on account of the enormous labour that such a course would involve.

In particular is the application of a really complete system of double-entry impossible in connection with the accounts of Life Assurance Companies. In these concerns, the transactions may be roughly divided into two classes:—

(1) The earning of income by the investment of moneys (this branch of the transactions can readily be, and is invariably, recorded by doubly-entry);

(2) The incurring of expenditure as the liabilities undertaken towards policy-holders increase from year to year, as the lives of those policy-holders become shorter with the lapse of time.

It would be practically impossible for a Life Assurance Company to determine annually the exact increase in its liability in respect of each policy, and to keep accounts in respect of each such policy, crediting the Policy Account and debiting Revenue with every such increase at the close of the year. Apart from the enormous amount of bookkeeping involved, to very little purpose, the cost of accurately ascertaining the "present value" of the liability in each case would, with these undertakings, be absolutely prohibitive, and would, moreover, involve great delay in the preparation of the annual accounts. These undertakings (which, it may be mentioned, are regulated by the Life Assurance Companies Act, 1870, which prescribes the form in which their accounts are to be kept) are worked upon the lines that their annual accounts are *interim* accounts only, and do not attempt to estimate the profits of the year under review. The calculation of profits only takes place when what is called a "Valuation" Balance Sheet is prepared—once every three, five, or seven years, according to the constitution of the particular company concerned. The Valuation Balance Sheet is based upon an actuarial valuation of the liabilities of the undertaking in respect of all the policies then in force, the value of such liability in each case being arrived at as follows:—

> Taking it that the policy may be expected to mature in n years, the gross liability is the present value of the amount of the policy, due n years hence.
>
> From this must be deducted the present value of an annuity, payable for n years, of the net premium payable under the policy (*i.e.*, the actual premium, *minus* the "loading" that has been added to cover expenses of management).

Upon the above basis the actuaries arrive at the total present value of the net liabilities of the undertaking to date, and the profits earned during the period are computed by single entry, as being the difference between the present value of the aggregate net liabilities and the net assets available to meet those liabilities. It has been suggested that this method of accounting is no more "single-entry" than is the customary method of arriving at the gross profit of a Trading Account by including opening and closing stocks. Perhaps it is not; but it certainly cannot be described as double-entry proper.

The profits of FRIENDLY SOCIETIES having a benefit branch are computed upon the same lines, the actuarial valuation in their case being undertaken every five years.

A similar method of arriving at profits is frequently employed by BUILDING SOCIETIES, to enable them to discover the gross profit earned from the lending of money on mortgages repayable over a term of years by equalised payments, and the liabilities incurred by agreeing to pay subscribing investors a fixed sum at the end of a term of years in return for a monthly (or other periodical) payment. As has already been explained in Chapter XXI., however, no difficulty need arise in the formation of Building Societies', and other similar, accounts upon a complete double-entry basis. The actual interest to be debited to each Mortgage Account, and credited to each Investment Account may be readily ascertained from properly-designed tables. The essential advantage of keeping these accounts by double-entry arises from the fact that a complete and effective audit may by that means be far more readily accomplished; while the experience of the past has shown that, in connection with these particular undertakings, such an audit is absolutely essential for the security of all interested parties. In the same way, of course, the accounts of a Life Assurance Company *could* be kept by a complete system of double-entry; but there is this important difference, that whereas in the case of a Building Society the exact balance on each Ledger Account can be accurately calculated, in the case of a Life Office the actuarial calculations are obviously not exact as applied to each individual account, although, upon the principle of the average, they *are* correct *en bloc*.

CHAPTER XXV.

PERIODICAL RETURNS.

UNDER this heading are included those records of business transactions which are made, either (1) for the purpose of supplying a branch (or the head office) with information as to what is taking place, to enable it to make the necessary records in its financial books; or (2) those records of transactions which are compiled from time to time, with a view to enabling interested parties to readily gauge the position of affairs without themselves performing any detailed or lengthy examination on the books of account. These two classes of Returns have in common the feature that they are independent of—but supplemental to—the financial books of account, and the system of bookkeeping comprised therein. They differ, however, in that while the first class forms the basis of records that have to be made in the financial books, Returns of the second class are but summaries in a convenient form of records that have already been made.

BOOKKEEPING RETURNS.

Dealing first with those Returns designed to convey information which is to form the basis of bookkeeping records, some of the most rudimentary examples of these Returns are the ordinary Invoice forwarded by the vendor to the purchaser of goods, and the Account Sales forwarded by a consignee to his principal the consignor. Other examples that frequently occur in practice are the daily, weekly, or monthly Reports of business done which are submitted by a Branch to its Head Office. When, however, the transactions of the Branch are completely recorded there, these Returns more properly come under the second class named above, as their object is not to form the basis of bookkeeping entries, but to supply managers and principals with accurate information as to what is taking place.

When a business undertaking is of such small dimensions that its operations are entirely carried out by a single person, it is clear that that person must become cognisant of all transactions as they occur, and that Returns are not necessary to keep him informed upon the matter. If the exigencies of business would allow him to at once record these various transactions in the proper books of account, no records outside (or supplemental to) those books would be necessary; but in practice it is not always convenient, and perhaps not even always possible, to make such a record at once. Consequently, in even the very smallest businesses, something in the nature of Returns generally becomes necessary, to record transactions temporarily, pending their permanent record in the books. Formerly the Waste Book, in which a narrative of every transaction was entered as it took place, supplied this purpose, and in some businesses a memorandum book closely corresponding to the old-fashioned Waste Book is still employed; but in most concerns the Waste Book has shared the fate of the Journal—that is to say, it has been separated into a number of distinct sections, each of which records *pro. tem.* transactions of a certain specified class. This separation of even the preliminary record is, of course, essential where business operations are conducted upon an extensive scale, and a number of persons are simultaneously engaged upon separate business transactions. In

such cases it usually follows—to a greater or less extent according to circumstances—that those persons actually engaged upon the business transactions are *not* employed to keep the books in which the transactions are eventually recorded; hence arises the necessity of some form of Return, which will enable the Counting-House (where the books of account are kept) to be promptly advised from time to time of what has taken place, and what therefore has to be recorded.

A very little consideration will show that the most convenient mode of arriving at this result, of promptly and accurately advising the Counting-House of all transactions as they occur, must necessarily vary according to the nature of the business, and also according to the peculiar circumstances and conditions under which it is carried on. No one system would be equally suitable under all imaginable varying circumstances; consequently, in a general work of this description, the subject cannot be dealt with in full detail. It may be mentioned, however, that—here, as elsewhere, in connection with accounts—there are certain fundamental rules which may usefully be borne in mind, if the maximum of efficiency is to be produced with a minimum of effort. Foremost may be mentioned the desirability of, so far as possible, obviating the necessity of these records being recopied by hand. Any manual copy possesses the disadvantages of loss of time and liability to error. So far as possible, therefore, the original records should be utilised, rather than copied. This is a point that has already been mentioned at some length in Chapter XVIII., and it need only be added here that the Slip System is at least as applicable to this class of Returns, and other statistical records, as it is to pure "bookkeeping" records, and that it may often be applied for this purpose, even in cases where its adoption, or partial adoption, seems undesirable for the accounts themselves.

In the case of Returns received from distant Branches it is particularly convenient that the Return forwarded should be a mechanical, rather than a manual, copy of the record retained. All risk of any discrepancy between the two is thus avoided (save in the case of deliberate falsification), and consequently much discussion over differences in accounts may be saved. Moreover, if a duplicate of the original record be forwarded by the Branch to the Head Office, the latter is supplied with *first-hand evidence* of the actual nature of the transaction concerned, and is thus in a better position to detect errors of treatment on the part of the distant Branch than would be possible by any other means.

From the point of view of accounting, perhaps the most important Returns coming under this heading are the periodical Trial Balances remitted to the Head Office by a distant Branch, with a view to enabling the former to close its books embodying therein the effect of the Branch transactions. This, however, is a matter that has already been dealt with in Chapter V., where the treatment of Branch Accounts generally was very fully discussed.

STATISTICAL RETURNS.

Passing on to the second class of Returns it will be convenient, perhaps, to consider in the first instance the exact circumstances under which these are called for, with a view to obtaining an insight into the special requirements of the position. In the case of a concern of any magnitude it may be safely stated that even those engaged in keeping the books would not be able, without subsequent reference to these books, to give any reliable idea as to the progress of the business and the position of affairs. Whenever information under these headings is sought for it becomes necessary to refer to the books, and to extract therefrom such information as may be required. At regular stated intervals this information is habitually extracted in the form of Balance Sheets, Trading and Profit and Loss Accounts, Cost Accounts, &c., but—with the possible exception of the last-named—these are not as a rule compiled at sufficiently frequent intervals to answer all the purposes of practical business. A manufacturer or merchant who never

refers to his accounts, save annually or half-yearly when the usual balance is struck, will, it may safely be said, be obtaining a very small fraction of the benefit that may fairly be expected from the keeping of accurate accounts upon a convenient and workable system. In the expressive phraseology of the American, he will become a "back number." If the accounts are to be utilised to the fullest possible extent, the record that they build up must be examined, and carefully studied in all its bearings, at very frequent intervals. In the case of principals it is hardly to be expected that they will have either the time—or, in many cases, the skill—to pore over books of account from day to day with a view to discovering all that those books may have to tell; while, in the case of departmental managers, there might in addition be many objections to allowing them access to information that does not immediately and directly concern them. Hence arises the necessity of compiling periodical Returns, which will enable principals and managers to obtain such information as they may require from day to day, from week to week, or from month to month, with a minimum expenditure of time, while yet ensuring that such information shall be both reliable and sufficient for their several purposes.

Periodical Returns being thus eminently of a practical nature, it necessarily follows that, here again, the exact requirements of one concern will vary very greatly from the requirements of another, and it is thus only possible in the present work to refer to the matter in quite general terms. Speaking thus, it may be pointed out that, as a rule, those records that require to be most continually watched are—

(1) The finances of the business, with a view to seeing that Book Debts do not get unduly into arrear, and that sufficient moneys are got in to enable all current liabilities to be duly discharged.

(2) That the Turnover, or Output, of the business is kept up.

(3) That the Capital invested in each department of the business is not increased without a corresponding increase of profits.

(4) That Standing Expenses are kept down.

In the case of large concerns, it is usually convenient that each of these matters should be dealt with in the form of a separate Return.

(1) Finances.

The information required under this heading will usually be provided by the Sold Ledger Adjustment Accounts, which show the total Book Debts outstanding; the Bought Ledger Adjustment Accounts, which show the total current liabilities (occasionally, however, special liabilities recorded in the Private Ledger must be added), and the Bank Balance. Often, however, it is convenient to add to these a summary of Cash receipts and payments during the current period, which may readily be compiled from the General Cash Book. When transactions in Bills are extensive, the Return should also show the balances of Bills Receivable and Bills Payable respectively outstanding, the totals of Bills received, issued, and renewed during the past period, and the totals of Bills Receivable and Payable accruing due during the next ensuing period. A summarised statement of Floating Assets and Liabilities is also often most useful.

(2) Turnover.

The record under this heading may, as a rule, be readily arrived at from the Day Books, or whatever may be their equivalent in the case of a manufacturing business. The total Sales, or Output, of each department for the current period should be separately shown, and for purposes of comparison it is usually desirable to add (in parallel columns) the total from the date of the last stocktaking up to date, and also the same two sets of figures in the previous one, two, or three years. Such information may be very readily compiled from any ordinary set of books, and is of considerable value, more especially in connection with Return (3).

(3) Interim Stock Accounts.

These have already been dealt with in detail in Chapter VII., and *pro formâ* rulings will be found upon page 51. It only remains to be added that in most classes of business, and especially in connection with purely trading concerns, a definite percentage of Gross Profit is expected, not merely upon the Turnover of the business, but also upon the capital from time to time invested in Stock-in-trade. The information supplied by this Return enables those in authority to test (so far as is possible at interim periods, when no actual stocktaking is possible) the manner in which each department is being conducted, and the rate of Profit that is being earned, not merely upon the business done, but also upon the capital invested.

(4) Expenses.

The Return under this heading should show the Expenses for the current period in sufficient detail, and also the percentage that such Expenses bear to the Turnover of the business. The corresponding figures of the past two or three years should also be added in parallel columns. Especial care should be taken to see that this Return is really exhaustive, as in the nature of things accruing Expenses are often not recorded in the books of account, save at balancing time. With care, however, no difficulty should arise in arriving at the total expenses of each month or week. Most of the more important Standing Expenses can be accurately estimated in advance; while such items as Discounts, Salaries, Incidental Expenses, &c., can be readily arrived at from the Cash Book, due allowance being made for outstandings at the commencement and close of the current period. That the Return may be readily checked from time to time, however, it is often desirable to frame it upon the same lines as the Sales Return, providing additional columns for the total from the date of the last stocktaking to date. At the end of each financial period the Expenses Return can then be compared with the actual figures available, and discrepancies noted with a view (*a*) to discovering who is responsible for the error; (*b*) to, as far as possible, preventing its recurrence in the future.

SMALLER CONCERNS.

For small businesses separate Returns upon the above lines are often unnecessary, all material information being capable of being readily focussed upon a single statement. Inasmuch as conciseness is an object to be sought in these Returns almost as much as reliability, this focussing of results is in all cases desirable; and even where the business is of such a magnitude as to call for several detailed Returns, a Summary, combining the results upon some such lines as those shown in the following example, may be usefully appended. This example shows a form of Monthly Return which, with varying modifications of detail, may be usefully applied to most trading, and many manufacturing, businesses.

EXAMPLE:

RETURN for 9 Months ending 30th September 1906.

	1906		1905		Compared with previous Year	
	%	Amount	%	Amount	Increase	Decrease
		£ s d		£ s d	£ s d	£ s d
Purchases for the Month	66·66	2,000 0 0	60·00	1,500 0 0	500 0 0	
Wages do.	30·00	900 0 0	26·00	650 0 0	250 0 0	
Sales do.	100·00	3,000 0 0	100·00	2,500 0 0	500 0 0	
Estimated Stock on 30th September	116·66	3,500 0 0	106·00	2,650 0 0	850 0 0	
Purchases from Stocktaking to date	60·00	12,000 0 0	60·00	9,000 0 0	3,000 0 0	
Wages do. do	25 00	5,000 0 0	25·00	3,750 0 0	1,250 0 0	
Sales do. do.	100·00	20,000 0 0	100·00	15,000 0 0	5,000 0 0	

Approximate Profit and Loss Account for the 9 Months to Date.

	%		1906		%		1905	
			£ s d	£ s d			£ s d	£ s d
Assumed Gross Profit @ 15 % upon Sales		15·000	..	3,000 0 0		15·000	..	2,250 0 0
Salaries	5·000		1,000 0 0	..	6,334		950 0 0	
Rent, Rates, &c.	2·000		400 0 0	..	2·667		400 0 0	
Gas and Electric Light	·500		100 0 0	..	·567		85 0 0	
Repairs	·025		5 0 0	..	·014		2 0 0	
Housekeeping	·010		2 0 0	..	·013		2 0 0	
Discounts	1·750		350 0 0	..	1·734		260 0 0	
Fares and Carriage	·450		90 0 0	..	·400		60 0 0	
Advertising	·015		3 0 0	..	·013		2 0 0	
Postages	·100		20 0 0	..	·100		15 0 0	
General Expenses	·500		100 0 0	..	·532		80 0 0	
Commission	·300		60 0 0	..	·267		40 0 0	
Travelling Expenses	·250		50 0 0	2,180 0 0	·167		25 0 0	1,921 0 0
		10·900				12·810		
Estimated Net Profit		4·100	..	820 0 0		2·190	..	329 0 0

FINANCIAL STATEMENT, 30th September 1903.

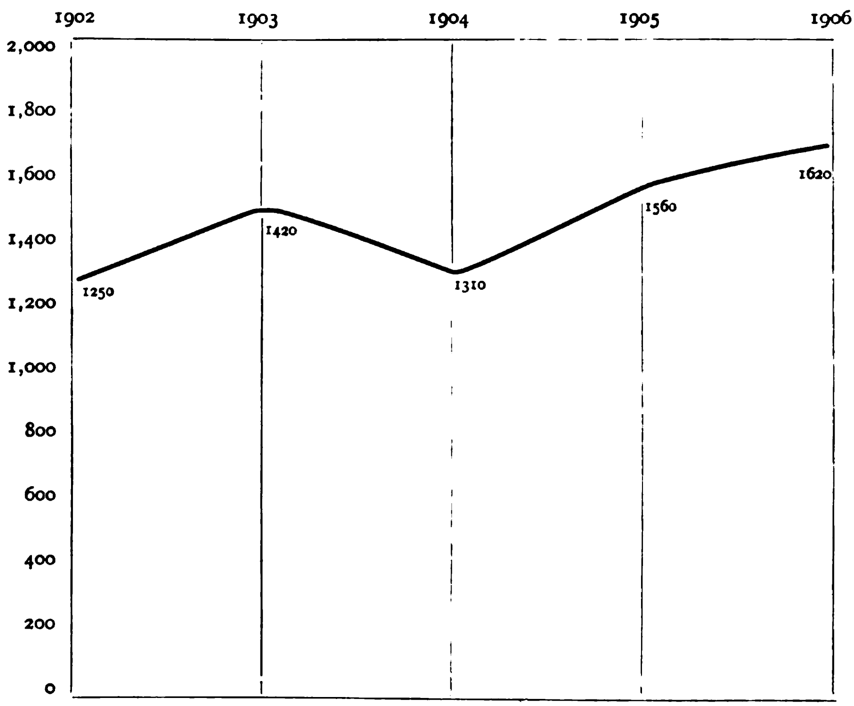
	£ s d		£ s d
Liabilities on Bought Ledger Account	3,000 0 0	Book Debts Outstanding..	2,700 0 0
„ „ Bills Payable	1,500 0 0	Bills Receivable on Hand	1,200 0 0
		Cash at Bank and in Hand	1,825 0 0
	£4,500 0 0		£5,725 0 0

CHARTS AND DIAGRAMS.

In connection with many Returns the actual figures involved are less of absolute than of comparative importance—that is to say, their value is chiefly as an index of the upward or downward *tendency* of the business in its several departments. Under these circumstances it is often thought that a Chart, or Diagram, gives a better idea of the progress or retrogression of the business than any tabulated statement of mere figures. Unquestionably it requires a considerable amount of experience to utilise to the best advantage a tabulated statement, whereas the general effect shown by a Chart is obvious at a glance. Minute differences are, however, imperceptible upon a Chart, unless it is prepared upon so large a scale as to be extremely cumbersome for purposes of reference. But where the *exact* figure is of relatively small importance, while the upward or downward tendency is of great importance, Charts may be freely used so long as their limitations are clearly understood.

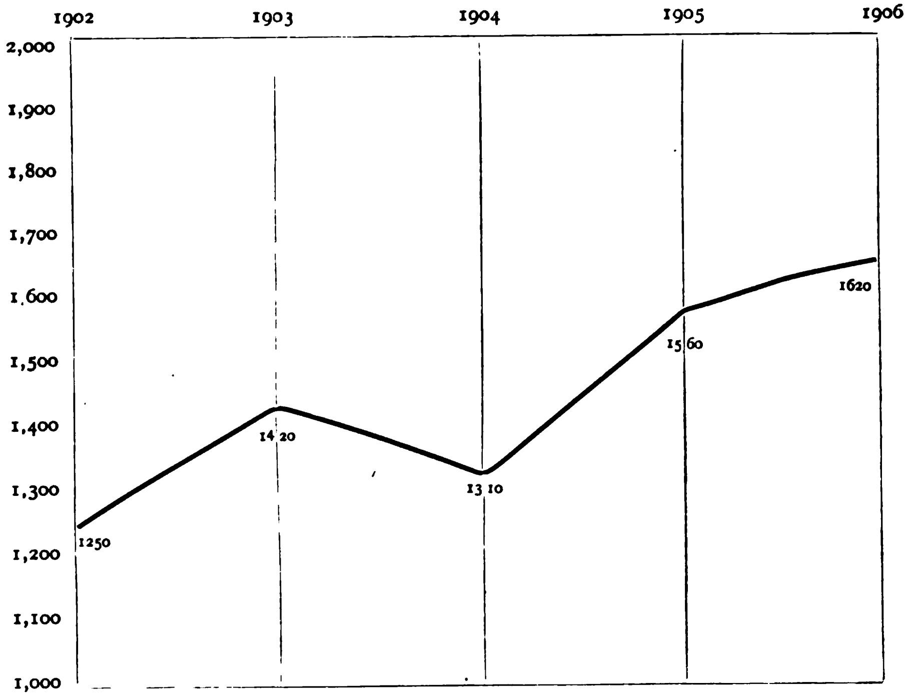
The great drawback to a Chart of any description is that, while it cannot absolutely reverse the tendencies shown by the facts, it may be made to greatly exaggerate, or belittle, those tendencies by adjusting the scale upon which it is planned. Thus, allowing it to be supposed that the following example indicates the volume of business transacted by an undertaking in each of the five years 1902 to 1906, with the exception of a slight set-back in 1904 it will be seen that the progress during those five years is fairly steady, and that that in 1906 is approximately one-third more than in 1902.

EXAMPLE:



It is often thought, however, that the lower half of such a diagram is wasted space, in that no figure below £1,000 is ever likely to be reached. Occasionally, therefore, such a record would be framed as shown in the following

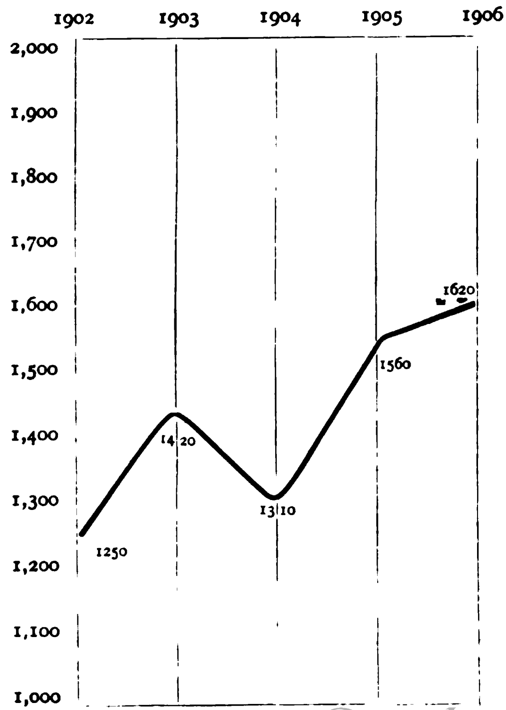
EXAMPLE:



By doubling the scale of the horizontal lines the fluctuations appear to be much more marked than in the first example, but the essentially misleading effect of the above diagram becomes especially apparent when the height of the curve at the year 1902 is compared with its height for 1906. Although the actual volume of business is only one-third greater, it appears on the diagram as though it were two and a-half times as much in 1906 as in 1902, and as a result the general effect produced by this diagram is most misleading.

Again, if the distance between the vertical lines be contracted, the fluctuations as between one year and another appear to be very much more marked. By halving the distance between the vertical lines the preceding diagram will be found to assume an entirely different Curve, as shown by the following

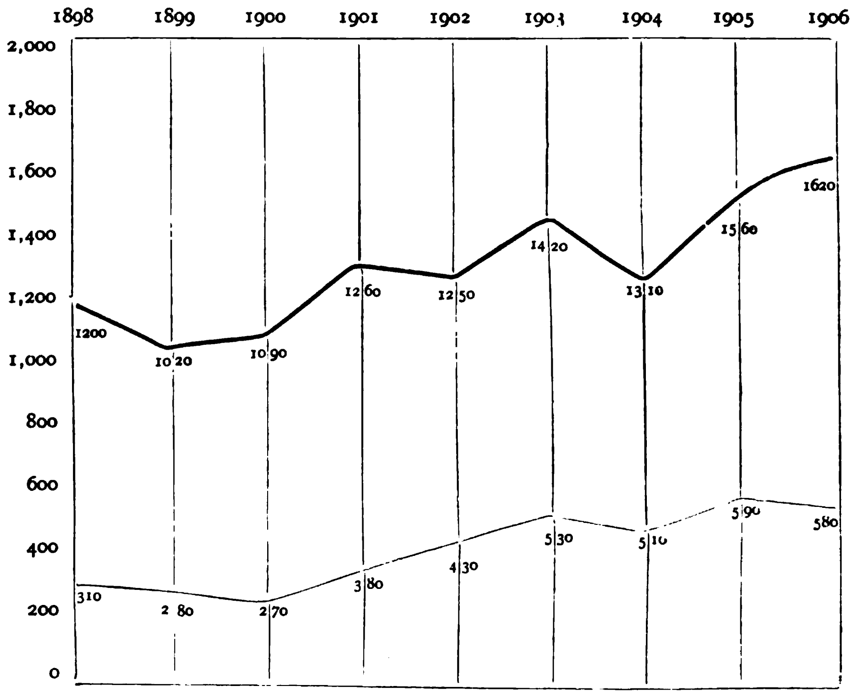
EXAMPLE:



The Curve in the last example over-page, it will be seen, suggests *primâ facie* a highly fluctuating volume of business, although it records exactly the same results as those given in the example on page 416. In examining results recorded in Curves it is thus extremely important to take into consideration (*a*) the relative scale of the horizontal and vertical lines; (*b*) whether the diagram starts at zero, or at some other point—*i.e.*, whether the base-line is present, or whether it has been suppressed, under the erroneous supposition that a judicious saving of space may by that means be effected. Unfortunately there are grounds for believing that in some cases, in contentious matters, the base-line has been deliberately omitted in order to obscure the issue.

It is thought that, for the reasons already stated, Curves cannot be regarded as of much use for the mere purpose of comparing the results of one period with another, unless they are invariably prepared to the same scale, as—consciously or unconsciously—the effect can be so very materially influenced by the scale selected. When, however, it is desired to institute a comparison between *two* (or more) different sets of figures extending over a series of years, the Curve becomes much more reliable, as whatever scale be employed must apply to each Curve on the diagram.

EXAMPLE:



The above diagram is supposed to contrast the Sales of a business during the period 1898 to 1906 (inclusive) with the Gross Profit earned in each of those years. It will be observed that the relationship between these two sets of figures is, upon the whole, more clearly (if more roughly) shown in the form of a diagram than by the following tabulated statement, even although a column for percentages has been added to the latter.

EXAMPLE.

Year	Sales	Gross Profit	%
	£	£	
1898	1,200	310	25·81
1899	1,020	280	27·45
1900	1,090	270	24·77
1901	1,260	380	30·16
1902	1,250	430	34·40
1903	1,420	530	37·32
1904	1,310	510	38·17
1905	1,560	590	37·82
1906	1,620	580	35·80

AREAS AND CUBES.

Occasionally — although rarely in connection with matters of accounting—comparisons between different sets of figures are pictorially illustrated in the form of contrasted areas or contrasted cubes. These methods of comparison may be suitable for some purposes, but it must not be forgotten that they tend to belittle the differences between the figures. Thus the ratio of 9 to 16 would be expressed by two squares, of which the larger possessed a side only one-third longer than the smaller, while the ratio of 8 to 27 would be expressed by two cubes, of which the side of the larger was only half as long again as the side of the smaller. If the figures which it is sought to compare are really more readily comparable as squares or cubes, the method may, of course, be advantageous as tending to avoid exaggeration; but for most business purposes the lineal measure is better calculated to give a clear idea of the actual position.

CONCLUSION.

In the present chapter attention has been concentrated upon periodical Returns forming the basis for entries in, or extracted from, books of account. It must not, however, be supposed that these are the only Returns that are required for business purposes. In most undertakings reliable information is required, for comparative purposes, upon many matters which are incapable of being expressed in the form of £ s. d. For example, a railway company will require information as to the number of passengers under each class, the number of train-miles run, the amount of freight carried, &c. &c., all of which information is absolutely essential for the proper and economical management of the undertaking. To indicate even approximately, however, the desirable scope of non-financial Returns would involve a detailed inquiry into the practical working of each separate business considered, and is accordingly quite outside the scope of a work on accounting.

CHAPTER XXVI.

ACCOUNTS FOR LITIGATION.

IN the course of the present work the subject of accounting has hitherto been considered chiefly, if not entirely, from the point of view of the requirements of business undertakings in this connection, with a view to showing how a full and complete record of the transactions of varying industries may be kept, in books of account, so as to provide at all times such information as may be necessary, or as may properly or reasonably be looked for as a result of keeping books. It remains, however, to be added that when disputes arise as to matters of account—whether or not such disputes lead to actual litigation—it often becomes necessary to deal with those accounts in a somewhat different manner, in order clearly to set forth the view taken by one, or other, of the disputants with regard to the matter at issue.

DISPUTES ON COMPLETED MATTERS.

When the dispute arises out of accounts relating to a concern which has been brought to an end by the discharge of all current liabilities, and the conversion of all outstanding assets into Cash, the dispute can, it is thought, only arise in one of three way:—

(*a*) As to whether the account submitted is a correct and complete record of *all* receipts and payments;

(*b*) As to whether certain receipts ought not to have been larger, or certain payments smaller;

(*c*) As to who is entitled to the balance of Cash in hand.

In the first case, the matter is one of simple vouching of an ordinary Cash Account, accompanied perhaps by an inquiry into facts which cannot raise any real dispute on accounts *per se*. The second form of dispute would be analogous to an allegation against an executor or administrator of *devastavit* or abusive or improper administration, which might perhaps involve an inquiry into values, but not into accounts; while the third would be a matter of law pure and simple. It will thus be seen that such disputes as may arise in connection with the accounts of a completed venture, or other business undertaking, are not likely to raise any complicated questions of account at all, and therefore do not call for detailed consideration here.

DISPUTES ON UNCOMPLETED MATTERS.

When, however, the venture—so far from being completed—is still pending (that is to say, when the dispute arises out of the accounts of a going concern) complicated questions of account properly so-called may, and frequently do, arise, and it will probably be generally admitted that these are the questions which are, as a rule, least satisfactorily adjudicated upon in a Court of Law. For that reason they are in practice frequently referred to Arbitration, and if the Arbitrator be a qualified accountant, such a tribunal is undoubtedly likely to be more satisfactory—assuming, of course, that the dispute on matters of account is not complicated by

other disputes on important matters of law or fact. But whether recourse be had to the Courts of Law or to Arbitration, each of the parties to the dispute has to set out his own case, and it is as a rule thought desirable (even in arbitration cases) that this task should be entrusted to Counsel, who upon the whole are, in even the most technical cases, likely to handle the matter much better than the litigant himself could do.

To enable Counsel to do their clients justice, however, it becomes necessary that the whole position should be clearly and concisely laid before them, the strong points being drawn attention to, so that the case may be stated to the best advantage, and the weak points also enumerated, so that they may not be taken by surprise. In complicated cases of account it is often considered that the employment of Counsel places the client at a disadvantage, in that Counsel is under such circumstances called upon to argue upon technical matters with which he cannot reasonably be expected to be quite familiar. This is a view that is very generally entertained by business men, who often make no secret of their opinion that it is no use trying to get lawyers to understand accounts. It is thought, however, that—so far as there is any foundation at all for this grievance—it rests, not upon any lack of ability on the part of the Bar to grasp technical matters that may be clearly laid before them, but rather upon the inadequate manner in which those responsible for Counsels' briefs have discharged their duties. Where complicated questions of account are raised, that call for detailed inquiry in the course of the hearing of a dispute, it is thought that solicitors should seek professional advice as to the drafting of that portion at least of their brief; and, if necessary, a professional accountant should be retained to confer with Counsel upon this portion of the matter, and to attend with him at Court, with a view to keeping him posted from time to time as to the real effect of the points made by the other side, so far as they affect the accounts. When this course is pursued, it will usually be found that it is as easy for Counsel effectively to handle questions of accounts as any of the other numerous questions outside the immediate scope of their daily experience that they have occasion to deal with in the course of a general practice.

It is important, however, that, when proceeding upon these lines, accountants should remember that matters which seem fairly obvious to *them* will by no means necessarily be regarded as axioms by trained jurists. In particular is it desirable that the questions in dispute should be confined to the simplest and clearest issues possible, and especially is this the case if a jury is concerned. Accountants are, of course, aware that in the case of most business undertakings the Cash Book is not so much the backbone of the whole structure of accounts as many lawyers seem to think. They should bear in mind, however, that all completed transactions are capable of being verified, or refuted, by being reduced to a Cash basis, and whenever possible, therefore, this principle of reduction to the Cash basis should be employed. It is not merely more convincing to both the trained legal mind and the mind of the ordinary juror, but also more reliable to all who are prepared to approach the matter without any professional bias. Uncompleted transactions cannot, of course, always be verified by having recourse to the Cash Book standard; but they are often capable of being far more clearly and distinctly explained than by a mere pedantic reference to some particular book of account, and a few of the ordinary academic rules of double-entry bookkeeping. Accountants would do well to bear in mind that what they have to prove is not that such and such a transaction has (or has not) been correctly recorded according to the accepted rules of accounting, but rather what are the actual facts in connection with the matter.

METHODS OF PROCEDURE.

It is quite impossible here to describe in detail the *modus operandi* that professional accountants should pursue in order to discharge to the best advantage their duty of assisting Counsel upon issues involving disputes in connection with accounts. The subject is far too wide a one to be

dealt with adequately in a short compass, and indeed it may be questioned whether it would be really practicable to deal with it at all in a text-book. It may be mentioned, however, that one of the most common cases in which disputes arise in connection with accounts is when it is sought to establish a charge of misrepresentation or fraud in connection with accounts, or a charge of falsification of accounts. In these cases the matter is as a rule complicated by the number of the items challenged, and further by the fact that, even if the alleged offence has been committed, it has probably been committed by someone sufficiently experienced in accounts to have done all that lay in his power to cover up his tracks. If, therefore, the allegation is to be proved beyond reach of doubt, it is absolutely essential that the issue, which has been purposely obscured, be cleared not merely of all irrelevant, but also of all comparatively unimportant items.

In criminal cases it will often be found that, whereas the accused has received money from a customer without debiting Cash (*i.e.*, himself) with the amount so received, the customer's cheque for the amount in question has been actually cleared through the prosecutor's banking account. *Primâ facie*, and without due consideration, anyone approaching the matter from the point of view of accounts might be tempted to charge the delinquent with stealing that specific sum of money received from the customer in question; but proof that the customer's cheque had been paid into the prosecutor's banking account would be a complete refutation of this charge. What has actually happened, in this hypothetical case, is that certain moneys have been paid into the bank without being entered in the Cash Book: if, therefore, no moneys have been improperly abstracted, the bank balance should be "over" to a corresponding extent. The fact that the balance at bank exactly agrees with the balance shown by the Cash Book may suggest that a corresponding sum has been deliberately and improperly abstracted by the cashier; but a suspicion such as this is an entirely different thing from being in a position to *prove* that such money has been deliberately and feloniously abstracted, and what at first sight appeared to be a perfectly straightforward case becomes at once a doubtful and an extremely complicated one.

The case of *Rex v. Oliphant* ([1905] 2 K.B. 67) is in point. There the defendant was the branch manager in Paris of a London firm. It was his daily duty to enter his daily receipts upon slips which he transmitted to London to enable the amounts to be entered up in the London Cash Book. On a certain date the defendant received three sums, and omitted to enter the receipt upon the slips, knowing and intending that the sums would be omitted (as the case was) from the Cash Book. The defendant was charged under Section 1 of the Falsification of Accounts Act, 1875, as a clerk or servant, with omitting, and concurring in omitting, material particulars from a book belonging to his employers with intent to defraud. It was contended for the defendant, first, that there was no evidence that the defendant had committed the offence with which he was charged, and which related, not to the slips drawn up by the defendant in Paris, but to the Cash Book kept in London; and, secondly, that there was no jurisdiction in the Court to try the case, as the offence was not committed in England. Lord Alverstone, C.J., considered that the real point in the case was "What was the duty the defendant had to perform, and what was the act done by him which is alleged to be the omitting, or the concurring in omitting, to make an entry?" Considering these points, it was held, by the Court for Crown Cases Reserved, that the Court which tried the case had jurisdiction, and that the defendant was rightly convicted. But both Mr. Justice Channell and Mr. Justice Kennedy doubted whether defendant had any duty as to keeping the London Cash Book. "I do not think that a clerk or servant who makes a false return to his employer, knowing that the employer keeps books which will accordingly be rendered incorrect, necessarily falsifies those books, or concurs in the omission of an entry from the books which they would have contained if the return had been correctly made." It is important also to notice that a prisoner cannot be

convicted under Section 1 of the Falsification of Accounts Act, 1875, on an indictment charging him with making a false entry in an account, if it is proved that the account in question did not belong to, and was not in the possession of, his employer. The intention of the Legislature was to punish the falsification by clerks, officers, servants, or others, of their employers' accounts.

Another class of dispute in which the aid of professional accountants is often, and advisedly, sought is when the plaintiff seeks to recover money that he has invested in a business, on account of misrepresentations alleged to have been made by the defendant as to the state of that business. Here all that the accountant is concerned with is to show that the representations made by the defendant were false in material particulars, such as would naturally affect the decision of a reasonable business man. In such a case it is usually desirable for him to confine his attack to a comparatively small number of items that can readily and clearly be shown to be wrong. Other items, which in his opinion may be entirely incorrect, should as a rule be left alone, if there is any likelihood of the defendant being able to produce rebutting evidence showing that the matter at issue is one upon which the opinions of competent experts are divided. In such cases, the alleged misrepresentations will probably have taken the form of a Balance Sheet and Trading and Profit and Loss Account submitted by the defendant to the plaintiff, and it will become the duty of the accountant acting in the matter to point out certain specific items in these accounts where misrepresentations have occurred. Very probably the most convenient means of establishing these points will be by cross-examination of the defendant or one of his witnesses. To enable such cross-examination to be conducted by the plaintiff's Counsel conveniently, it is usually desirable to place in his hands a statement containing an exact copy of the accounts originally submitted to the plaintiff by the defendant, to which are appended—in such a manner as to be readily distinguishable from the accounts themselves—notes upon all points likely to arise at the hearing, their effect upon the ultimate result, along with references to the books or other records which must be produced to enable a detailed inquiry to be conducted. It is a great convenience to Counsel to have all this information upon the same sheet as the copy of the account, but it must, of course, be so supplied as to make it absolutely impossible for him to confuse the accountant's comments with the document as originally submitted. This separation can, however, be readily effected by placing a copy of the account in the inside of an open sheet, the various notes and memoranda being placed in margins outside and written in red ink. That it may be quite clear to which item the various marginal notes refer, the copy account should, if necessary, be spaced out, upon the lines shown in the following

EXAMPLE:

Dr. **PROFIT AND LOSS ACCOUNT,**

	Add £ s d	Deduct £ s d		£ s d	£ s d
(A) This item should include ALL *expenses under these headings properly chargeable against the year's accounts. Nothing is included for liabilities outstanding under Prize Competition schemes (estimated at)*	*4,000 0 0*		To Rent, Rates, Taxes, Advertising, Printing, Stationery, Wages, Salaries, Postages, Legal Expenses, Commissions, Discount, Lighting and General Expenses (*A*)	..	6,000 0 0
On 29th December 1900 Mr. A. paid B. C. & Co. £500 for advertising the Company's goods, this should be included to debit of Profit and Loss Account	*500 0 0*				
(B) This is a debt due by Mr. A. to the Company (Sold Ledger K, fo. 69), and should be accounted for by him.	..	*20 0 0*	" Bad Debts (*B*)	..	20 0 0
(C) The Directors are entitled, under Article 69, to £500 per annum, no portion of this has been validly abandoned ..	*450 0 0*		" Directors' Fees (*C*)	..	50 0 0
(D) This item is quite debatable: inquire on what basis it was arrived at ..	..		" Depreciation (*D*)	..	2,000 0 0
			" Balance carried to Balance Sheet, being Profit for Year	..	3,991 0 0
					£12,061 0 0

for the year ending June 30th 1901. Cr.

	£ s d	£ s d	
By Gross Trading Profits for year (*E*) ..	..	12,000 0 0	(*E*) *Refer Non* *also Ret* *July 190* *£1,267 1* *from Sa* *profit at*
„ Transfer Fees (*F*)	..	1 0 0	(*F*) *Refer Regi* *72 transf* *Differenc*
„ Interest on Bank Account	..	50 0 0	
„ Profit on Investments Sold	..	10 0 0	
		£12,061 0 0	

BALANCE SHEET,

	Add £ s d	Deduct £ s d	*Liabilities.*	£ s d	£ s d
			Nominal Capital—		
			50,000 6 per cent. Cumulative Preference Shares of £1 each	50,000 0 0	
			50,000 Ordinary Shares of £1 each ..	50,000 0 0	
			Issued Capital—		
			50,000 6 per cent. Cumulative Preference Shares of £1 each..	50,000 0 0	
			25,000 Ordinary Shares of £1 each ..	25,000 0 0	
					75,000 0 0
			Sundry Creditors	..	1,000 0 0
			Unclaimed Dividends..	..	1 0 0
(*G*) *There is no means of verifying this amount, which seems a pure guess: inquire how it is made up.*			Customers' Deposits (*G*)	..	200 0 0
(*H*) *This item is, of course, subject to alteration as affected by items A–F.*			Profit and Loss Account (*H*)	3,991 0 0	
(*I*) *This deficiency included interim dividend of 10 per cent. paid on Ordinary Shares in January 1900. Get this admitted: also that there was a loss of £792 on the trading for year ended 30th June 1900.*			*Less* Debt Balance from last Account (*I*)	3,292 0 0	
					699 0 0
					£76,900 0 0

June 30th 1901

Assets.	£ s d	£ s d		*Add* £ s d	*Deduct* £ s d
Cash at Bank (*K*)	..	5,000 0 0	(*K*) *This includes a cheque for £7,500 paid to Company on 30th June 1901 by Mr. A.; on following day a corrective entry was passed in books, and cheque not presented. The facts were—(1) Bank overdrawn, £2,500; (2) Due to Company from Mr. A., £7,500. Inquire as to how this arose: refer Private Ledger, fos. 11-13.*		
Sundry Debtors..	..	100 0 0			
Stock in Trade	..	4,800 0 0			
Leases, Goodwill, &c., as per Valuation of December 31st 1897, less Stock, and with subsequent additions at cost	82,000 0 0				
Written off to 30th June 1900 (*L*) £13,000 0 0			(*L*) *This was never really written off out of Profits, but is a book entry correcting over-valuation of the item £82,000, which never really cost more than £69,000. Refer Private Ledger, fo. 120: get this admitted.*		
Written off to date (*M*) .. 2,000 0 0	15,000 0 0	67,000 0 0	(*M*) *Only £2,000 really written off for Depreciation in 3½ years, lease now only 8 years to run. Get this admitted.*		
		£76,900 0 0			

The foregoing example, it must be understood, is only intended to give some idea of the manner in which an accountant's notes may be conveniently placed in Counsel's hands. The *pro formâ* memoranda appearing in the margin are suggestive of matters that might possibly call for elucidation, with a view to establishing the allegation that the accounts, as submitted, were misleading in material particulars. They must not, however, of course be regarded as exhausting all possibilities of misrepresentation in connection with statements of account. Practically any item in a Balance Sheet, Trading Account, or Profit and Loss Account may, under some circumstances, be seriously misleading. The foregoing example is merely intended to indicate the lines upon which accounts might usefully be framed for the convenience of Counsel at the hearing of a dispute.

It is to be remembered that an affidavit verifying an account is the subject of cross-examination, but the accounting party must have notice of the points on which it is proposed to cross-examine him (see *Lord v. Lord*, L. R. 2 Eq. 605; *Meacham v. Cooper*, L.R. 16 Eq. 102). Moreover, where the accounting party is served with notice of cross-examination on his accounts, it is not sufficient to inform him that all the items except one are objected to. He is entitled to know the points on which the cross-examination is to proceed, and the notice of cross-examination must specify these points (*McArthur v. Dudgeon*, L.R, 15 Eq. 102; see also *Glover v. Ellison*, 20 W.R. 408). The accounting party cannot, however, refuse to be sworn in the absence of such notice, though after being sworn he may on that ground refuse to answer (*Meyrick v. James*, 46 L.J., Ch. 38). It is to be noted that the Court may refuse to act on affidavit where the deponent cannot be cross-examined (*Shea v. Green*, 2 *Times* Rep., 533, and Order 37, rule 20).

By Order XXXIII., rule 3, it is provided that a Court or Judge may, either by the judgment or order directing an account to be taken, or by any subsequent order, give special directions with regard to the mode in which the account is to be taken or vouched, and in particular may direct that in taking the account the books of account in which the accounts in question have been kept shall be taken as *primâ fâcie* evidence of the truth of the matters therein contained, with liberty to the parties interested to take such objections thereto as they may be advised. The case then passes to Chambers.

By Order LV., rule 37, of the Supreme Court the course of proceedings in Chambers in the Chancery Division is ordinarily the same as the course of proceedings in Court upon motions, so that evidence may be by affidavit. (See Order 38, rule 1, and Order 52, rules 1-10.) Every account, of course, must be verified by affidavit. (Order 33, rule 4.) Copies, abstracts, or extracts of or from accounts and other documents must, if directed, be supplied for the use of the Judge and his Chief Clerks, and, where so directed, copies must be handed over to the other parties. But copies cannot take the place of originals unless the Judge so directs. Where copies are supplied to the Judge, Counsel of the parties supplying the copies should also have them. As has been said, every care should be taken to give Counsel the fullest and clearest information possible as to the accounts which he has to support or attack, whether in Chambers or in Court, and it is generally desirable for the solicitor to confer (with or without the assistance of an accountant) with Counsel on the subject of the accounts before the hearing, in order that every possible point may be taken and all difficulties cleared up. Great confusion may occur through entirely new points being taken in Court, and this should be guarded against as much as possible. Of course, new points will very often arise in the course of cross-examination, but it ought to be made certain that they will not arise in the course of examination-in-chief through the previous reticence of the client, or carelessness of the solicitor. The practice in Chambers is dealt with under Heading viii., "Summonses to Proceed," of Order LV., rules 32-37, and other orders referred to in the Appendix hereto.

APPENDIX "A."

THE LAW RELATING TO ACCOUNTS.

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APPENDIX A.

ACCOUNTS IN JUDICIAL PROCEEDINGS.

Before dealing with the question of Accounts in specific branches of law, it will be convenient to refer generally to the taking of accounts by order in judicial proceedings.

All causes and matters dealing with the taking of Partnership or other Accounts are assigned to the Chancery Division of the High Court of Justice (Judicature Act, 1873, s. 34 (3)) if the accounts are complicated. If, however, they are simple, they may be dealt with in the King's Bench Division. (*Re Taylor*, 44 C.D. 128, in which case the judicial taking of accounts is very fully considered.) "In all cases in which the plaintiff, in the first "instance, desires to have an account taken, the writ of "summons shall be endorsed with a claim that such "account be taken." (Order III., rule 8, of the Supreme Court, and see *Re Gyhon*, 29 C.D. 834.)

Where a writ of summons has been indorsed for an account, under Ord. III., r. 8, or where the indorsement on a writ of summons involves taking an account, if the defendant either fails to appear, or does not after appearance, by affidavit or other sufficient means (see *Shelford v. Louth, &c.*, 4 Ex.D. at p. 319), satisfy the Court or a Judge that there is some preliminary question to be tried, an order for proper accounts, with all necessary inquiries and directions now usual (see *infra*) in the Chancery Division in similar cases, shall be forthwith made. (Order XV., r. 1.) An application for such order as mentioned in this rule must be made by summons, and be supported by an affidavit, when necessary, filed on behalf of the plaintiff, stating concisely the grounds of his claim to an account. The application may be made at any time after the time for entering an appearance has expired. (Order XV., r. 2.)

It is usual in the prayer of the Statement of Claim in an action involving accounts and assigned to the Chancery Division under s. 34 (3) of the Judicature Act, 1873, to pray in the following or similar forms, according to the particular case, thus: Action for dissolution of partnership—"The plaintiff claims: (1) Dissolution of partnership, (2) "Accounts and inquiries, (3) A receiver and manager"; Action for accounts against an agent—"The plaintiff "claims: (1) Account of all sums received and paid by "the defendant as agent of the plaintiff, (2) payment of "amount found due"; Action for the carrying of trusts into execution—"The plaintiff claims: (1) Execution of "the trusts of the settlement, (2) All necessary accounts and "inquiries, (3) A receiver."

The equitable principles that underlay the old suit and the modern action for an account are set forth in the following passage from the judgment of Lindley, L.J., in *L.C.D. Railway Co. v. S.E. Railway Co.* (1892, 1 Ch. at p. 140): "Before the Judicature Acts a suit for an account "could be maintained in equity in the following cases:— "(1) Where the plaintiff had a legal right to have money "payable to him ascertained and paid, but which right, "owing to defective legal machinery, he could not prac-"tically enforce at law. Suits for an account between "principal and agent, and between partners, are familiar "instances of this class of case. (2) Where the plaintiff "would have had a legal right to have money ascertained "and paid to him by the defendant, if the defendant had "not wrongfully prevented such right from accruing to the "plaintiff. In such a case, a Court of law could only give "unliquidated damages for the defendant's wrongful act; "and there was often no machinery for satisfactorily ascer-"taining what would have been due and payable if the "defendant had acted properly. In such a case, however, "a Court of Equity decreed an account, ascertained what "would have been payable if the defendant had acted as he "ought to have done and ordered him to pay the amount: "*M'Intosh v. Great Western Railway Co.* (4 Giff. 683) is "the leading authority in this class of case. (3) Where the "plaintiff had no legal but only equitable rights against the "defendant, and where an account was necessary to give "effect to those equitable rights. Ordinary suits by "*cestuis que trustent* against their trustees and suits for "equitable waste fell within this class. (4) Combination "of the above cases." This division is still good if we bear in mind that the old distinction between equity and law has disappeared, and relief can be had in any division

of the High Court, though in practice the Chancery Division alone has the machinery to deal with complicated cases of accounts. An unfortunate practice seems, however, to be growing up of attempting to deal with complex cases in King's Bench Chambers. We may note here that a judgment or order for an account of what is due under a contract does not involve an inquiry as to damages in taking the account (*Manners v. Pearson & Son* ([1898] 1 Ch. at p. 589); and also that an action for account in equity is an action for the balance due on the taking of the account, and not for the several items to be included in it (*ibid.* p. 591 *per* Lindley, L.J.). It must be noticed that an order for an account under Order XV., rule 2, against an executor reserving further consideration but not ordering administration does not destroy the executor's power of preference, nor does it prevent other creditors from suing. (See *Re Barrett*, 43 C.D. p. 70.) Nothing short of an order for administration can prevent this. (*Re Mills*, W.N. (1884) 21, and Order LV., r. 10A (*b*).)

Order XV., r. 1, applies to the case of accounts claimed in an Admiralty action, and notice of objection to the Registrar's report must be given under Order LVI., r. 11. (See *Gowan v. Spratt*, 51 L.T. 266; Order XXXIII., r. 2; and Admiralty Court Act, 1861, s. 8.)

An order under Order XV., r. 1, would, in the case of the administration of an intestate's or a testator's personalty, include the following: An account of the intestate's (*or* testator's) personal estate, come to the hands of the defendants, B., C., and D., the administrators of his effects (*or* executors of his will), or of any (*or if two only*, either) of them; or to the hands of any other person or persons by the order or for the use of the said defendants or any (*or* either) of them; an account of intestate's (*or* testator's) debts; an account of the intestate's (*or* testator's) funeral expenses; an account of the legacies and annuities given by the testator's will. (See Seton's "Judgments and Orders," 6th Ed., pp. 1465-66.) Forms of orders dealing with the administration of a testator's personalty at the suit of a person interested, or of personalty and realty in action by a person interested or by trustees and executors, and other similar orders, will be found set forth in Seton, pp. 1390-1693. Judgments or orders for account generally will be found in Seton, pp. 1352-89.

"The Court or a Judge may, at any stage of the proceed-"ings in a cause or matter, direct any necessary inquiries "or accounts to be made or taken, notwithstanding that it "may appear that there is some special or further relief "sought for or some special issue to be tried, as to which "it may be proper that the cause or matter should proceed "in the ordinary manner." (Order XXXIII., r. 2.) This rule only authorises the directing of such accounts and inquiries as are subsidiary to determining the rights of the parties, and which otherwise would be directed at the trial, and does not authorise the sending of the whole case to Chambers. (*Garnham v. Skipper*, 29 C.D. 566.) As a rule an order for an account cannot be made against a plaintiff. (*Toulmin v. Reid*, 14 Beav. 505.) As we shall see, questions of very complicated accounts may be referred to a referee. (Arbitration Act, 1889, s. 14; *Rochefoucauld v. Boustead*, [1897] 1 Ch. 196.) Accounts on the footing of wilful default cannot be directed on an originating summons, even though the parties to be charged are plaintiffs submitting to account. (*Re Hengler*, W.N. (93) 37.) The rule that wilful default must be expressly pleaded is not so strict now as it was before the Judicature Act. (*Re Barclay*, [1899] 1 Ch. 681, and *Smith v. Armitage*, 24 C.D. 727.) It would seem to be the better opinion that administration accounts and inquiries should not be directed in a creditor's action until the plaintiff has established his debt. (*Batthyany v. Walford*, 36 C.D. p. 277.)

"The Court or a Judge may, either by the judgment or "order directing an account to be taken or by any subse-"quent order, give special directions with regard to the "mode in which the account is to be taken or vouched, "and in particular may direct that in taking the account, "the books of account in which the accounts in question "have been kept shall be taken as *primâ facie* evidence "of the truth of the matters therein contained, with liberty "to the parties interested to take such objections thereto "as they may be advised." (Order XXXIII., r. 3.) According to *Gething v. Keighley* (9 C.D. at p. 551), no special direction by the Court is necessary to secure in partnership cases the admission of books of account as *primâ facie* evidence, but in all other cases a special direction is necessary. (*Cookes v. Cookes*, 3 N.R. 97. See also *Lambert v. Still*, [1894] 1 Ch. at p. 84, and *Daniel v. Sinclair*, 6 App. Cas. 181.) Where vouchers have been lost, or the account cannot be taken in the ordinary way, the Court may give special directions, but such directions will not be given merely to save expense, nor unless it appears that the ordinary evidence cannot be had. (*Lodge v. Prichard*, 3 De G. M. & G. 906; *Ewart v. Williams*, 7 De G. M. & G. 68.) Audited accounts may be impeached for fraud, even though liberty to do so is not given in the order of the Court. (*Holgate v. Shutt*, 27 C.D. 111, 115, and 28 C.D. 111.) "Where any account is directed to be taken, "the accounting party, unless the Court or a Judge shall "otherwise direct, shall make out his account and verify "the same by affidavit. The items on each side of the "account shall be numbered consecutively, and the account "shall be referred to by the affidavit as an exhibit and be "left in the Judge's Chambers, or with the official or other "referee, as the case may be." (Order XXXIII., r. 4.)

Accounts for the Judge's Chambers (including receivers' and executors' accounts), when required, may be charged at 8d. lower scale, 1s. higher scale per folio for copying, when costs are taxed on this scale or the scale is allowed. (See App. N. [100] to the Annual Practice, 1907; and see Order L.V., r. 37.) Where, however, the preparation of the accounts involves extraordinary skill and labour there may be an increased allowance in respect thereof (see Order LXV., r. 27 (12).) "Every alteration in an account "verified by affidavit to be left at Chambers shall be "marked with the initials of the Commissioner or officer "before whom the affidavit is sworn, and such alterations "shall not be made by erasure." (Order XXXVIII., r. 22, and see r. 12.) Accounts shall be referred to as exhibits to affidavits. (Order XXXVIII., r. 23.) "Upon the taking of "any account the Court or a Judge may direct that the "vouchers shall be produced at the office of the solicitor "of the accounting party, or at any other convenient place, "and that only such items as may be contested or sur-"charged shall be brought before the Judge in Chambers." (Order XXXIII., r. 4A.) This rule is intended to prevent the enormous expense and delay which are continually incurred by directing the general accounts to be taken in the Chambers of a Chancery Judge. (Kay, L.J., in *Re Fish; Bennett v. Bennett*, [1893] 2 Ch. p. 427.) In this connection we may also refer to Ord. LV., r. 10A (*a*), which provides that "Upon an application for administration or "execution of trusts by a creditor or beneficiary under a "will, intestacy, or deed of trust, where no accounts or "insufficient accounts have been rendered, the Court or a "Judge may, in addition to the powers already existing, "order that the application shall stand over for a certain "time, and that the executors, administrators, or trustees "in the meantime shall render to the applicant a proper "statement of their accounts, with an intimation that if "this is not done they may be made to pay the costs of the "proceedings." In the case (*supra*) of *Re Fish* the Court gave the plaintiffs, at their own risk as to costs, "the power, "if they like to examine those accounts, to contest any "items in them, including, of course, those pay sheets or "day sheets (whichever they are called), which shew the "charges made by *Mr. Herbert Clifford Gosnell* against the "estate, and also, if they think fit, entirely at their own risk "as to costs, to surcharge any item which may be omitted "in the accounts, and then if the contested items are not "arranged with the trustees, or if the surcharges are not "arranged, liberty to bring any contested items before the "Judge in Chambers, who is to be at liberty to refer any "disputed items in the bills of costs to the Taxing Master "to be taxed. And I beg to say that I understand that to "mean that in those pay sheets of *Mr. Herbert Gosnell* every "item which is contained in them, whether it be a charge "for trustee's work, or a charge for costs properly so called, "is a charge which may, if contested, be moderated by the "Chief Clerk, or by the Taxing Master before whom it "goes. . . . If in the investigation of the accounts "little or no change shall be made, then the Judge will "have to consider how far the Plaintiff's next friend and "the adult Plaintiffs should pay the costs of that part of the "action. If, on the other hand, considerable alteration is "made, the Judge will have to consider whether the "Defendants, or some of them, ought not to bear those "costs or some part of them." (Pp. 427-8.) This important judgment by Lord Justice Kay has been quoted at length, as it throws considerable light on the practice of the Courts, both with respect to accounts, and the costs —an important matter—incurred in the preparation and investigation of accounts. The "Annual Practice" (1907) states with respect to Order LV., r. 10A (*a*) that the practice of directing accounts to be furnished and vouched out of Court is now largely followed. Trustees, it is added, are entitled, on being required to furnish accounts in respect of their trust estate, to demand that they should be guaranteed against the expense of complying with the requisition. (*Re Bosworth*, 58 L.J. Ch. 432.)

It is necessary to note that "any party seeking to charge "any accounting party beyond what he has by his account "admitted to have received shall give notice thereof to the "accounting party, stating, so far as he is able, the amount "sought to be charged and the particulars thereof in a "short and succinct manner." (Order XXXIII., r. 5.) The remaining rules of this order are all of importance. Rule 6 provides that "every judgment or order for a general "account of the personal estate of a testator or intestate "shall contain a direction for an inquiry what parts (if any) "of such personal estate are outstanding or undisposed of, "unless the Court or a Judge shall otherwise direct." It is obvious that such an inquiry is essential for the completion of a general account. Rule 7 provides that "where "by any judgment or order, whether made in Court or in "Chambers, any accounts are directed to be taken or "inquiries to be made, each such direction shall be num-"bered so that, as far as may be, each distinct account and "inquiry may be designated by a number, and such judg-"ment or order shall be in the Form No. 28, in Appendix "L., [to the Rules of the Supreme Court] with such varia-"tions as the nature of the case may require." Form No. 28 is a general form ordering accounts and inquiries to be taken. Form No. 11 in Appendix L. is also of importance, as it gives the form of an affidavit verifying accounts and answering usual inquiries as to real and personal estate. (See Order LV., r. 75, and also Daniel's "Chancery Forms," 5th Ed., pp. 593-613.) The form of account

of personal estate verified by this affidavit and called "Account A," is given in Form No. 12, which contains a numbered list of dated receipts and disbursements, while Form No. 13 is a similar account of rents and profits referred to in Form 11 as "Account B." Form 14 is an important form of Receiver's Account, to which I shall have occasion to refer directly in connection with the Rules of the Supreme Court dealing with Receivers.

Before doing so, I must complete my reference to accounts generally:—"Where an account is directed, the "certificate shall state the result of such account, and not "set the same out by way of schedule, but shall refer to "the account verified by the affidavit filed, and shall "specify by the numbers attached to the items in the "account which, if any, of such items have been disallowed "or varied, and shall state what additions, if any, have "been made by way of surcharge or otherwise, and where "the account verified by the affidavit has been so altered "that it is necessary to have a fair transcript of the account "as altered, such transcript may be required to be made "by the party prosecuting the judgment or order, and shall "then be referred to by the certificate. The accounts and "the transcripts (if any) referred to by certificates shall be "filed therewith, or retained in Chambers and subsequently "filed, as the Judge in Chambers may direct. No copy of "any such account shall be required to be taken by any party." (Order LV., r. 68.) It may be noted in connection with this rule that no question can be raised by the certificate of the Master on matters with respect to which there is no direction in the order under which the certificate is made. (*In re Tillett*, 32 C.D. 639.) Also we may note that, in a question of Partnership Accounts arising in an action of administration of the estate of a deceased partner, the certificate must distinguish between private and partnership debts. (*Re Hodgson*, 31 C.D. 177, but see *Re France*, W.N. (86) 167.) In connection with the certificate, it is necessary further to note that every certificate, with the accounts, if any, to be filed therewith, shall be transmitted by the Master to the Central Office to be filed, and shall thenceforth be binding on all the parties to the proceedings, unless discharged or varied upon application by summons within eight clear days after the filing: provided that the time for applying to discharge or vary certificates, to be acted upon by the Paymaster-General without further order, or certificates on passing receivers' accounts, shall be two clear days after the filing thereof. (Order LV., r. 70.) The Judge may, however, if the special circumstances of the case require it, upon an application by motion or summons for the purpose, direct a certificate to be discharged or varied at any time after the same has become binding on the parties. (Order LV., r. 71, and see *Re Dove*, 27 C.D. 687.)

We have still three remaining rules in Order XXXIII. that require notice:—"In taking any account directed by "any judgment or order, all just allowances shall be made "without any direction for that purpose." (Order XXXIII., r. 8.) Thus, in the case of an order dealing with the management of a business carried on by an executor, though the executor cannot charge for time and work, he is entitled to all just allowances in the taking of an account of profits, even though he is a partner. (*Re Norrington*, 13 C.D. 654; *Stocken v. Dawson*, 6 Beav. 371; *Burden v. Burden*, 1 V. & B. 170.) What are just allowances in particular cases may be gathered from the cases of the *Union Bank of London v. Ingram* (16 C.D. 53), *Bolingbroke v. Hinde* (25 C.D. 795), *Rees v. Metropolitan Board of Works* (14 C.D. 372), *Vyse v. Foster* (L.R. 7 H.L. 318). Order XXXIII., r. 8B, directs that each Master at the beginning of each sittings shall report to the Judge to whose Chambers he is attached all the cases in which he considers that there has been any undue delay in the proceedings before him. If (Order XXXIII., r. 9) it appears to the Court or Judge that there is any undue delay in the prosecution of any accounts or inquiries, the Court or Judge may require any party in the case to explain the delay, and may thereupon make such order with regard to expediting the proceedings as the circumstances of the case may require. (See also Order LV., r. 32.)

We may note generally with respect to the practice as to accounts in judicial proceedings that, if the Judge so directs, his Masters shall take such accounts and make such inquiries as have usually been taken and made by the Masters, and the Judge shall give such aid and directions in every such account or inquiry as he may think fit, but subject to the right of the parties in certain cases to bring any particular point before the Judge. (Order LV., r. 15.) Of course, it must be remembered that in *all* cases the parties have a right to see the Judge personally, but where such an adjournment into Court is unnecessary, the party so adjourning the case may have to pay the costs. It is important, moreover, to remember that in certain large classes of cases the Judge must deal personally with the matter. No order for accounts or inquiries concerning the property of a deceased person or other property held upon any trust or concerning the parties entitled thereto must be made, except by the Judge in person. (Order LV., r. 15A.) Moreover, where accounts are being taken in Chambers before the Master, either party has a right to have an item which has been found against him adjourned before the Judge without taking out a summons for that purpose. (Order LV., r. 69.) And where a ques-

tion of principle is involved in a particular item it may be necessary to do this. But the ordinary practice is to wait till the account is completed, and then an adjournment once for all to the Judge. If a solicitor were so unreasonable as to insist on the adjournment of every item in an account to which he might object, the Judge could punish the solicitor by making him pay the costs personally. (*Upton v. Brown*, 20 C.D. 731, *per* Jessel, M.R.) An adjournment to the Judge is not in the nature of an appeal, since there exists a right to have a point heard by the Judge personally. (*Smith v. Watts*, 22 C.D. 5.) It is further important to remember that the Judge in Chambers may, in such way as he thinks fit, obtain the assistance of accountants, merchants, engineers, actuaries, and other scientific persons the better to enable any matter at once to be determined, and he may act upon the certificate of any such person. (Order LV., r. 19.) The Judge cannot, however, delegate this power of calling in expert assistance to his Chief Clerks. (*Mildmay v. Lord Methuen*, 1 Drew. 216); and when such an expert is called in by the Judge his evidence is merely material to guide the Judge, and he cannot call witnesses to support his evidence (see "Annual Practice," 1907 [Order LV., r. 19]: *Morris v. Llanelly Railway Co.*, W.N. (1868) 46; *Ford v. Tynte*, 2 De G. J. & S. 127). An accountant so called in need not be employed in the presence of the parties (*Re London and Birmingham, &c., Railway Co.*, 6 W.R. 141), while the fact of such employment is additional to and not in substitution for the taking of accounts in Chambers. The allowance to such an accountant is in addition to the Court fee. (*Hutchinson v. Norwood*, 32 W.R. 392.) The fees to be paid to such expert accountants and other experts called in by the Judge are to be regulated by the taxing officers, subject to appeal to the Court or Judge, whose decision shall be final. (Order LXV., r. 27 (36).) In the case of *Meymott v. Meymott* (33 Beav. 590), with respect to the general question of the payment of accountants, Sir John Romilly, M.R., said: "When the Chief Clerk [the Master since February 10 "1897] appoints an accountant, he always previously "makes an arrangement with him as to the amount "of his remuneration; but when the accountant is "employed by the parties themselves, the Chief Clerk never "interferes, but allows them to make their own terms." This is still, there can be little doubt, the rule, and the further decision that the rule as to remuneration of accountants followed in Bankruptcy proceedings is also followed in Chancery proceedings has never been overruled. The charges allowed in bankruptcy, when the employment of an accountant is sanctioned, and there is no special arrangement with the Official Receiver or trustee for a less sum are: For preparing Balance Sheet, &c., principal's time, exclusively so employed, per day of seven hours, including the necessary affidavit, one to five guineas (this sum may be varied by the Court); chief clerk's time, half-a-guinea to a guinea and a-half; and other clerks, 7s. 6d. to 16s. per day. These charges include stationery other than the forms used. (See "Williams on Bankruptcy," 8th Ed., 1904, p. 621.) Sir John Romilly, however, expressly declined to apply this rule in the case of official managers and liquidators employed in winding up companies. In *Meymott v. Meymott* two guineas a day to the accountant for work done, one guinea a day to his chief clerk, and fifteen shillings a day to his junior clerk were allowed, as proper remuneration, by the Court. In this case the accountant was nominated by the parties and appointed by the Chief Clerk.

In this place it will be convenient to notice the fact that Warrington, J., has recently held in the case of *The Society of Accountants and Auditors v. Goodway and the London Association of Accountants, Lim.* ([1907] 1 Ch. 489), that the description "Incorporated Accountant" is a fancy and not a descriptive term, and has come to denote membership of the Society, and therefore that the unauthorised use of it inflicts an injury on the plaintiff Society in respect of which it is entitled to maintain an action. We may also note here that if a plaintiff claims a general account he need not give particulars of the sums which it is alleged that the defendant has received to his use. But this is not the case if a specific sum be claimed. (*Blackie v. Osmaston*, 28 C.D. 123; *Augustinus v. Nerinckx*, 16 C.D. 17; *Carr v. Anderson*, C.A. 18 *Times* Rep. 206.) If the Court sees that an account must be taken it will not order particulars, but the mere asking for an account will not prevent the Court from ordering particulars. (*Kemp v. Goldberg*, 36 C.D. 505; Order XIX., r. 6, "Annual Practice," 1907.)

Finally, the Judge may order in proper cases accounts and inquiries to be referred to District Registrars. (Judicature Act, 1873, s. 66.) It must always be remembered in beginning legal proceedings for account that all actions for account must be brought within six years after the settlement of the account, or the time when the cause of action arose, or the last acknowledgment or part payment. See Statutes, 21 Jac. 1, c. 16 (the Limitation Act, 1623), s. 3, and 19 & 20 Vict. c. 97 (the Mercantile Law Amendment Act, 1856), s. 9, and Seton, pp. 1369-70.)

Receivers' Accounts.

I turn now to the question of Receivers' Accounts. Where a receiver is appointed for the purpose of equitable execution "with a direction that he shall pass accounts, "the Court or Judge shall fix the days upon which he shall

"(annually or at longer or shorter periods) leave and pass "such accounts, and also the days upon which he shall pay "the balances appearing due on the accounts so left, or "such part thereof as shall be certified as proper to be "paid by him. And with respect to any such receiver as "shall neglect to leave and pass his accounts and pay the "balances thereof at the times so to be fixed for that pur- "pose as aforesaid, the Judge before whom any such "receiver is to account may from time to time, when his "subsequent accounts are produced to be examined and "passed, disallow the salary therein claimed by such "receiver, and may also, if he shall think fit, charge him "with interest at the rate of 5 per cent. per annum upon "the balances so neglected to be paid by him during the "time the same shall appear to have remained in the "hands of any such receiver." (Order L., r. 18.) If the question of Receivers' Accounts arises in the King's Bench Division, the practice of the Chancery Division is followed, as the receivers are appointed for an equitable purpose. (See *Walmsley v. Mundy*, 13 Q.B.D. 807.) It is to be noted that the jurisdiction over the receiver continues even after the accounts have been settled; even at this late hour the penalties of the rule can be enforced. (*Hicks v. Hicks*, 3 Atk. 274-5; *Harrison v. Boydell*, 6 Sim. 211; and see "Annual Practice," 1907.)

Receivers' Accounts have to be in the form No. 14 in Appendix L, with such variations as circumstances may require. (Order L., r. 19.) This form deals separately with receipts and payments and allowances on account of real estate and personal estate. Rule 20 directs that "every receiver shall leave in the Chambers of the Judge "to whom the cause or matter is assigned his account, "together with an affidavit verifying the same in the form "No. 22 in Appendix L., with such variations as circum- "stances may require. An appointment shall thereupon "be obtained by the plaintiff or person having the con- "duct of the cause for the purpose of passing such "account." It is further provided that "in case of any "receiver failing to leave any account or affidavit, or to "pass such account, or to make any payment, or other- "wise, the receiver or the parties, or any of them, may be "required to attend at Chambers to show cause why such "account or affidavit has not been left, or such account "passed, or such payment made, or any other proper pro- "ceeding taken, and thereupon such directions as shall "be proper may be given at Chambers or by adjournment "into Court, including the discharge of any receiver and "appointment of another, and payment of costs." (Order L., r. 21.) It is necessary to note finally that a certificate of the Master, stating the result of the receiver's account, is to be taken from time to time. (Order L., r. 22.) It should be noted that a receiver will not be discharged merely on the application of the party at whose instance he was appointed. (*Bainbrigge v. Blair*, 3 Beav. 421.) In administration suits a receiver may be discharged on his passing his accounts, and may be paid his remuneration and costs without waiting to see whether the estate is sufficient to pay all costs. (*Batten v. Wedgewood, &c., Co.*, 28 C.D. 317.)

As between a mortgagor and a mortgagee, it was a common practice, before there was any statutory regulation of the rights and remedies of mortgagors and mortgagees, to provide in a mortgage deed for the appointment of a receiver by the mortgagee as the agent of the mortgagor for the purpose of protecting the mortgagee. "He was appointed in order that the money should "not go to the mortgagor, who might or might "not pay the interest to the mortgagee, but should "be stopped in the hands of a third person, who would "have to pay the rates and taxes and other outgoings "affecting the mortgaged property, but subject to that "would be directed to pay the interest to the mortgagee, "handing the net balance to the mortgagor. That was the "notion of the appointment of a receiver by the consent of "the parties either by the mortgage deed or under the "mortgage deed. To my mind there can be no question "that a receiver appointed in that way could not possibly "execute repairs and charge them against the mortgagee." (Kekewich, J., in *White v. Metcalf*, [1903] 2 Ch., at p. 570.)

The question arises as to the extent that Section 24 of the Conveyancing Act, 1881, has affected this practice. This section provides for the appointment by the mortgagee under certain circumstances of a receiver as the agent of the mortgagor. Under the Act this receiver has power to receive rents, to insure out of the rents any property that the mortgagee directs him to insure, and, having paid those particular outgoings, to apply the money received by him in discharge of the rents, rates, and taxes, and other outgoings affecting the mortgaged property, and then, if there are any prior charges, to keep down all interest on those charges. He has also power *inter alia* to pay "the cost of executing necessary or proper repairs directed in writing by the mortgagee." The case of *White v. Metcalf*, referred to above, was an action for foreclosure by the first mortgagees against the second mortgagees and the mortgagors. The receiver, under Section 24 of the Conveyancing Act, 1881, in that case executed certain repairs without any written direction from the mortgagees. Kekewich, J., held that in taking the account of what was due to the first mortgagees under their security the cost of these repairs, even assuming them to be "necessary or proper" repairs, ought not to be allowed, whether such cost was to be treated as a payment by the receiver or by the first mortgagees themselves. "I

"direct the Master in taking the account not to allow the "first mortgagees any expenditure on repairs except on "necessary or proper repairs paid for out of rents and "profits on direction in writing by the mortgagees." As to what are just allowances on taking accounts between mortgagor and mortgagee, see also *Union Bank of London v. Ingram* (16 C.D. 53).

It may here be noticed that it is not the ordinary practice in taking accounts against a mortgagee in possession to direct a "rest" at the date of the sale of the mortgaged property merely on the ground of such sale (per Warrington, J., in *Wrigley v. Gill,* [1905] 1 Ch. 241, though in a very exceptional case something analogous to a "rest" has been directed. (*Thompson v. Hudson,* [1870] L.R. 10 Eq. 497.) Under a proviso in a mortgage for the capitalisation of interest in arrear for twenty-one days a mortgagee in possession, through the default of the mortgagor, is not entitled, on the accounts being taken, to charge the mortgagor with compound interest, unless he can prove that after crediting the rents received each half-year the interest was actually in arrear at the times specified in the proviso. (*Wrigley v. Gill,* [1905], 1 Ch. 241.) The decision of Warrington, J., in *Wrigley v. Gill* was affirmed by the Court of Appeal ([1906] 1 Ch. 166), who decided that if the mortgagee in possession had in his hands (after payment of all proper outgoings) an amount arising from the rents received by him sufficient for the payment of interest, though not actually appropriated for that purpose, the interest could not be said within the meaning of the proviso to be in arrear, and the mortgagee was therefore not entitled to have it capitalised. The cases of *Union Bank of London v. Ingram* (16 C.D. 53) and *Bright v. Campbell* (41 C.D. 388) were distinguished. The Court also preferred the *dictum* of Cotton, L.J., in *Cockburn v. Edwards* (18 C.D. 463) to that of Jessel, M.R., in the same case (p. 456). In the case of *Ainsworth v. Wilding* ([1905], 1 Ch. 435) it was held, following *Wrigley v. Gill,* that in a redemption action against a mortgagee in possession, who has from time to time sold parts of the mortgaged property, where a decree has been made directing the usual accounts and inquiries, but giving no direction as to rests, the mortgagor is not entitled to have rests made in the account of rents and profits, even though there may have been sales from time to time.

The above rules as to Receivers' Accounts have an importance that extends beyond such accounts, for it is especially provided by the Rules of the Supreme Court that the accounts of liquidators and of guardians shall be passed and verified in the same manner as is by Order L. directed in the case of Receivers' Accounts. (Order L., rules 23, 24.) As to vouching the particulars of expenditure by a guardian of an infant, see *In re Evans* (26 C.D. 58) and Order XVI., rr. 16, 18, 19.

Accounts under the Arbitration Act, 1889.

Some reference must be made as to accounts in relation to the Arbitration Act, 1889 (52 & 53 Vict. c. 49). Section 14 provides that in any cause or matter (other than a criminal proceeding by the Crown) if (*inter alia*) the question in dispute consists wholly or in part of matters of account, the Court or a Judge may at any time order the whole cause or matter, or any question or issue of fact arising therein, to be tried before a special referee or arbitrator respectively agreed on by the parties, or before an Official Referee or officer of the Court. We must note in passing that a Master of the Supreme Court may exercise all the jurisdiction and powers conferred upon the Court or a Judge by the Arbitration Act, 1889. (Order LIV., r. 12A.) The case cannot, however, be referred without the consent of the parties where the result depends partly on questions of law and fact, and partly on questions of account and scientific evidence. (*Case v. Willis,* 8 *Times* Reports, 610.) The expression "matters of account" is largely construed (*Re Leigh,* 3 C.D. 292) and "if the Court can see that part of the dispute between "the parties is matter of account, that gives jurisdiction "to refer the whole case" (*Hurlbatt v. Barnett & Co.,* [1893] 1 Q.B. 79), except where there is a preliminary question as to the liability of the defendant. (*Clow v. Harper,* 3 Ex.D. 198; *Ward v. Pilley,* 5 Q.B.D. 427; and see also *Case v. Willis,* and the "Annual Practice," 1907, Vol II., p. 613.) As to the practice on trial as to accounts before a referee, reference must be made to Rules of the Supreme Court. (Order XXXVI., part 8, rr. 43-55c.) The referee (subject to the order of the Court or a Judge) may hold the trial at or adjourn it to any place which he may deem most convenient, and have any inspection or view either by himself or with his assessors (if any), which he may deem expedient for the better disposal of the controversy before him. He must, moreover, unless otherwise directed by the Court or a Judge, proceed with the trial *de die in diem,* in a similar manner as in actions tried with a jury. (Order XXXVI., r. 48.) The Official Referees are to sit at least from 10 a.m. to 1 p.m. on Saturdays, and from 10 a.m. to 4 p.m. on other days during the sittings of the High Court. (Order LXIII., r. 16.) Subject to any order to be made by the Court or a Judge ordering the same, evidence shall be taken at any trial before a referee, and the attendance of witnesses may be enforced by *subpœna,* and every such trial shall be conducted in the same manner, as nearly as circumstances will permit, as trials are conducted before a Judge. (Order XXXVI., r. 49.)

Subject also to any such order, the referee is to have the same authority with respect to discovery and production of documents and in the conduct of any reference or trial, and the same power to direct that judgment be entered for any or either party, as a Judge of the High Court (Order XXXVI., r. 50); but the referee cannot commit any person to prison or enforce any order by attachment or otherwise (Order XXXVI., r. 51). Moreover, before the conclusion of any trial before a referee, or by his report under the reference made to him, he may submit any question arising therein for the decision of the Court, or may state any facts specially for the Court to draw inferences therefrom, and in any such case the order to be made on such submission or statement shall be entered as the Court shall direct; and the Court shall have power to require any explanations or reasons from the referee, and to remit the cause or matter, or any part thereof, for retrial or further consideration to the same or any other referee; or the Court may decide the question referred to any referee on the evidence taken before him, either with or without additional evidence as the Court may direct. (Order XXXVI., r. 52.)

There is in the Chancery Division an appeal to the Judge by whom the order of reference was made, and thence to the Court of Appeal, from a referee to whom a case is referred for trial, either by motion to set aside or vary the report or award and the judgment entered thereon, or by motion for a new trial. (See Order XXXVI., r. 52; Order XL., r. 6; the Arbitration Act, 1889, ss. 14-15; and the important case (heard before the full Court of Appeal of six Judges) of *Wynne-Finch v. Chaytor*, [1903] 2 Ch. 475.) In the King's Bench Division the appeal from a referee is to a Divisional Court. Order XL., r. 6; *Proudfoot v. Hart*, 25 Q.B.D. 42.) There is no Divisional Court in the Chancery Division, and the Judge takes its place. The report or award of any official or special referee or arbitrator on any such reference shall, unless set aside by the Court or a Judge, be equivalent to the verdict of the jury. (Arbitration Act, 1889, s. 15 (2).)

The remuneration to be paid to any special referee or arbitrator to whom any matter is referred under order of the Court or a Judge, shall be determined by the Court or a Judge (*ibid.*, s. 15 (3)); but an arbitrator under submission may fix his own fees as part of his award, unless a contrary intention is expressed in the submission, and the costs of reference and of the award are in his discretion. (Arbitration Act, 1889, s. 2 (*i*); *Re Walker and Brown*, 9 Q.B.D. 434; Annual Practice, 1907 (vol. 2, p. 590.))

Compelling Accounts.

It will be convenient here to notice certain cases where accounts can be compelled. An agent (but not apparently a principal) is liable to account where the course of dealing presumes the keeping of regular accounts. Where copyright is infringed, the right to account follows the obtaining of an injunction. (*Baily v. Taylor*, 1 Russ. & M. 73.) The right to account (if the case involves account) generally follows the right to an injunction, but of course it also arises otherwise. (See *Parrott v. Palmer*, 3 Myl. & K. 632.) An action for account will lie against a banker by his customers (*Bowles v. Orr*, 1 Y. & C. 464), and between tradesmen and their customers (*Courtenay v. Godschall*, 9 Ves. 473), and between merchants and commercial travellers to a certain extent (*Hunter v. Belcher*, 9 L.T. 501); also in the case of mines and tithes (*Pulteney v. Warren*, 6 Ves. 88), and between landlord and tenant (*O'Connor v. Spaight*, 1 Schoales & Lefroy, Ch. Ir. 305); also in the case of rents and profits arising from property alleged to be wrongly occupied (*Hicks v. Gallitt*, 3 De G. M. & G. 782). It is perhaps hardly necessary to state that merchants' accounts, after six years' total discontinuance, are barred (*Martin v. Heathcote*, 2 Eden, 169); but, of course, if open accounts are continued by subsequent acts, they are not barred by length of time unless a settled balance can be presumed. As to what amounts to a settled and stated account depends upon the circumstances of the case. No precise form is necessary (*Sim v. Sim*, 11 Ir. Ch. Rep. 310), but it may be said generally that a clear statement of accounts signed by the parties may be regarded as a settled account, since it creates a single issue. (See *Attorney-General v. Brooksbank*, 2 Y. & J. 37.) But signature is not absolutely necessary (*Willis v. Jernegan*, 2 Atk. 252), nor need there be a minute settlement of items (see *Sewell v. Bridge*, 1 Ves. 297), and a merchant's account unchallenged for two years is regarded as stated. (See *Tickel v. Short*, 2 Ves. 239). Settled accounts can only be re-opened on very strong grounds. (*Chambers v. Goldwin*, 5 Ves. 837.) The principles on which such accounts are re-opened are dealt with in the cases of *Coleman v. Mellersh* (2 Mac. & G. 309), *Buckeridge v. Whalley* (33 L.J. Ch. 649), *Newen v. Wellen* (31 L.J. Ch. 792), *Williamson v. Barbour* (9 C.D. 529), *Wier v. Tucker* (L.R. 14 Eq. 25), *Hickson v. Aylward* (3 Moll. 14), *Lewis v. Morgan* (5 Price, 42), *M'Kellar v. Wallace* (8 Moore, P.C. 378). The question of bankers' accounts is dealt with fully in Heber Hart's "Law of Banking," Part II. (1904).

Partnership Accounts.

Section 28 of the Partnership Act, 1890 (53 & 54 Vict. c. 39), declares that "Partners are bound to render true "accounts and full information of all things affecting the "partnership to any partner or his legal representatives." This clause is usually inserted in partnership deeds, and

it, apart from statute, represents a principle and an obligation—the obligation of *uberrima fides*—inherent in any partnership contract. The right to an account as between partners, or between a partner and the personal representatives, or the trustee in bankruptcy of a partner, is undoubted. When a partner mortgages his share in a partnership and the mortgagee brings an action to realise his mortgage, the proper order is to direct an account of what the mortgagor's interest in the partnership was at the date when the mortgagee proceeded to take possession under his mortgage, that is, at the date of the writ; but if a dissolution of the partnership has previously taken place, the date of the dissolution is the date at which the account is to be taken. (*Whetham v. Davey*, 30 C.D. 574). Again, if the partnership share is assigned with the consent of the other partners, the assignee is entitled to an account. (*Redmayne v. Forster*, 2 Eq. 467.) In certain cases the beneficiaries under the will of a deceased partner can have an account against the surviving partners (*Travis v. Milne*, 9 Hare, 141), but, as a rule, their remedy is against the personal representatives of the deceased partner.

"The account which a partner may seek to have taken "may be either a general account of the dealings and "transactions of the firm, with a view to a winding-up of "the partnership; or a more limited account, directed to "some particular transaction as to which a dispute has "risen." (Lindley, p. 496, 6th Ed.) There is no longer any iron rule that accounts can only be taken by the Court in partnership with a view to a dissolution, but the rule will be followed unless there is a good reason for departing from it. Lord Justice Lindley gives "three classes of cases "in which actions for an account without a dissolution are "more particularly common" (p. 497).

"1. Where one partner has sought to withhold from his co-partner the profit arising from some secret transaction.

"2. Where the partnership is for a term of years still unexpired, and one partner has sought to exclude or expel his co-partner, or to drive him to a dissolution.

"3. Where the partnership has proved a failure, and the partners are too numerous to be made parties to the action, and a limited account will result in justice to them all."

Where the partnerships of the various partners in one concern began at different dates, the Court will order, upon the bankruptcy of all the partners, the making of separate accounts, and that each estate shall first bear its own debts. (*Ex parte Marlin*, 2 Bro.C.C. 15.) In an action to take accounts of a partnership where the partnership is admitted, and no other question is in issue except the accounts, accounts of the partnership dealings may be ordered to be taken before the trial of the action. (*Turquand v. Wilson*, 1 C.D. 85.) If a partner's private transactions are mixed up with the Partnership Accounts the whole accounts must be produced, unless they can be satisfactorily severed. (*Pickering v. Pickering*, 25 C.D. 247.) It must, however, be noticed that a person cannot be compelled to produce books which belong jointly to himself and other persons who are not before the Court (see *Murray v. Walter*, Cr. & Ph. 114); but the doctrine laid down in this case "does not apply to cases in which "the absent parties interested in the books are in fact "represented by the defendants on the record, and have no "interest in conflict with theirs (*Glyn v. Caulfeild*, 3 Mac. "& G. 463); nor it is said to an action by a *cestui que trust* "against a trustee who is chargd with trading with trust "moneys in partnership with other persons not before the "Court" (Lindley, pp. 505-6); nor apparently to cases where books are kept jointly for an underwriter at Lloyd's and the "names" for whom he acts. (See *In re Burnand*, [1904] 2 K.B. 68.) We may note also that "the common "order does not entitle the person in whose favour it is "made to inspect by a professed accountant specially "appointed for the purpose; but if there is any necessity "for so doing, a special order for inspection by such a "person will be made." (*Bonnardet v. Taylor*, 1 J. & H. 383.) "Books in use for daily business are ordered to be "produced at the place where they are usually kept; and "they will not be ordered to be deposited in Court unless "there is some special reason for so doing (*Mertens v.* "*Haigh Johns*, 735)," (Lindley, 506). We also note that accounts kept by a clerk who was the agent of all the members of the partnership were received in evidence without his being called as a witness. (*Brierley v. Cripps*, 7 C. & P. 709.) This is also the place in which to notice the fact that "the partnership books are to be kept at the "place of business of the partnership (or the principal "place, if there is more than one), and every partner may, "when he thinks fit, have access to and inspect and copy "any of them." (Partnership Act, 1890, s. 24 (9).) A solvent partner is entitled to retain the partnership books when the other has become bankrupt. (*Ex parte Finch*, 1 Deac. & C. 274.) "Where a partnership has expired by efflux of "time, and in a suit for an account, &c., a receiver has "been appointed before decree, the Court will not compel "defendant (the former managing partner) to deliver up to "receiver, for the purpose of making out bills of costs, "partnership books and accounts which have remained in "his hands, and title deeds belonging to a third person "which came into the possession of the co-partners as "solicitors, such defendant offering the receiver free access "thereto, and to assist in making out such bills." "Digest of English Case Law," Vol. 10, cols. 494-5. (*Dacie v. John*, 13 Price, 446.)

With respect to the defences to an action for an account and discovery between partners, Lord Justice Lindley, in his book (p. 508), deals with six defences, in addition to "the defence on the ground of illegality, of fraud, of "laches on the part of the plaintiff, and of want of proper "parties to the action." These six are:—(1) Denial of partnership; (2) Statute of Limitations; (3) Account stated; (4) Arbitrator's award already given on the matters of difference between the parties; (5) Payment and accord and satisfaction—*i.e.*, "payment of a sum of money and acceptance of it in lieu of all demands"; (6) A release of all claims under seal. A release can, of course, be set aside on certain well-known grounds, and, if set aside, it ceases to be a defence.

A judgment for a partnership account in its simplest form is as follows: "Let an account be taken of all "partnership dealings and transactions between the plain-"tiff and defendant as co-partners from ———. And "let what, upon taking the said account, shall be certified "to be due from either of the said parties to the other "of them be within (one month) from the date of the "Master's certificate, paid by the party from whom to the "party to whom the same shall be certified to be due. "Liberty to apply." ("Seton on Decrees," 6th Ed., p. 2166.)

The question of Partnership Accounts is materially affected by Sections 29 and 30 of the Partnership Act, 1890.

Section 29 provides that "(1) Every partner must account "to the firm for any benefit derived by him without the "consent of the other partners from any transaction con-"cerning the partnership, or from any use by him of the "partnership property, name, or business connection. (2) "This section applies also to transactions undertaken "after a partnership has been dissolved by the death of a "partner, and before the affairs thereof have been com-"pletely wound up, either by any surviving partner or by "the representatives of the deceased partner." Section 30 provides that "if a partner, without the consent of the "other partners, carries on any business of the same "nature as and competing with that of the firm, he must "account for and pay over to the firm all profits made by "him in that business." This does not, however, apply to profits made by a partner in a business that he carries on in breach of a covenant not to carry on any other business, but which is not in competition with the partnership business. (*Aas v. Benham*, [1891] 2 Ch. 244.)

The principles on which the accounts of a trading company should be kept, and the profits ascertained, are laid down in *Lubbock v. British Bank of South America* (1892, 2 Ch. 198) and *Bolton v. Natal Land and Colonisation Company* (1892, 2 Ch. 124). In the first case, a banking company, with a paid-up capital of £500,000, sold part of its undertaking for £875,000; after deducting the paid-up capital and other incidental expenses there remained a net balance of £205,000. This sum was held to be profit on capital and not part of the capital itself, and might be carried to Profit and Loss Account, and, after such an appropriation to the Reserve Fund as the directors thought proper, be distributed as dividends. Mr. Justice Chitty in this case dealt at length with the general principles on which the accounts of a trading company should be kept. On these questions of accounts the case of *Lee v. Neuchâtel Asphalte Company* (41 C.D. 1) should also be referred to, and "Lindley on Companies," pp. 544 *et seq.*, 600, 805 (Ed. 6: 1902), together with "Lindley on Partnership," p. 396 *et seq.* (Ed. 6).

The following decision in an action for account decided on appeal from South Africa by the Privy Council (*Trimble v. Goldberg*, [1906] A.C. 494) is important. The respondent and the two appellants bought as partners part of certain properties offered for sale. Subsequently the residue of those properties was purchased by the appellants without the knowledge of the respondent, who brought a suit for an account of the property so purchased. The Supreme Court of the Transvaal held that the purchase was secret and injurious to the common interest of the partners, and that the respondent was entitled to share in the benefit of the purchase, despite the fact that it did not come within the scope of the partnership. The Privy Council reversed this decision, stating that it could not be supported on authority and was opposed to the decisions in *Dean v. MacDowell* (8 C.D. 345) and *Cassels v. Stewart* (6 App.Cas, 64); and that it could not be supported on any recognised equity. The purchase, not being within the scope of the partnership, was not shown to have been in rivalry or any other connection therewith, nor in any way injurious thereto.

The method of dealing with accounts on a dissolution of partnership is set forth in Section 44 of the Partnership Act, 1890. "In settling accounts between the partners after "a dissolution of partnership, the following rules shall, "subject to any agreement, be observed:—(*a*) Losses, "including losses and deficiencies of capital, shall be paid "first out of profits, next out of capital, and lastly, if "necessary, by the partners individually in the proportion "in which they were entitled to share profits; (*b*) the assets "of the firm including the sums, if any, contributed by "the partners to make up losses or deficiencies of capital, "shall be applied in the following manner and order:— "(1) In paying the debts and liabilities of the firm to "persons who are not partners therein; (2) In paying to "each partner rateably what is due from the firm to him "for advances as distinguished from capital; (3) In paying "to each partner rateably what is due from the firm to him

"in respect of capital; (4) The ultimate residue, if any, "shall be divided among the partners in the proporion in "which profis are divisible." (See "Lindley on Partnership," pp. 599-601 and 633.)

Section 44 has been considered in the recent case of *Garner v. Murray* (1904, 1 Ch. 57). In that case the plaintiff entered into partnership with the defendants Murray and Wilkins under a parol agreement that the capital of the business should be contributed in certain unequal shares, and that each partner should be entitled to one-third share of the net profits. The partnership was dissolved by order of the Court as from June 30 1900. After payment of all debts due from the firm it was found that the assets would be insufficient to repay the capital by the sum of £897 3s. 8d. The deficit was due to the default of Wilkins, who failed to contribute his share of the deficiency of the assets to make good the capital. Each partner ought to have contributed one-third of the sum of £897 3s. 8d., and then the capital should have been distributed rateably among the partners. But as Wilkins could contribute nothing, how was the ultimate deficit to be borne by Garner and Murray? It was argued that each partner ought to bear an equal loss, but Joyce, J., rejected this contention. "When the Act says losses are to be borne "equally it means losses sustained by the firm. It cannot "mean that the individual loss sustained by each person "is to be of equal amount. There is no rule that the "ultimate personal loss of each partner, after he has per-"formed his obligations to the firm, shall be the same as "or in any given proportion to that of any other partner. "I have to follow the Act, and I see no difficulty in doing "so in this case. The assets must be applied in paying to "each partner rateably what is due from the firm to him "in respect of capital, account being taken of the equal "contributions to be made by him towards the deficiency "of capital. There is not, in my opinion, anything in the "authorities cited or in the passage in Lindley on Part-"nership [6th Ed., p. 601], to which reference has been "made, that is inconsistent with the result which I have "stated." The true principle of the division of assets is therefore for each partner to be treated as liable to contribute such a share of a capital deficiency as he would take in profits (in this case one-third), and then for the assets to be paid to each partner rateably in respect of capital.

The following form of judgment exhibits the process followed in the case of a dissolution caused by the death of a partner. (1) "Let an account be taken of all dealings "and transactions between W. deceased, the testator in the "pleadings named, and the defendant, as bankers and co-"partners; and Let what, upon taking the said account, "shall be found due from the testator be answered by the "plaintiffs, as the executors of his will, out of his assets; "(2) And in case the plaintiffs shall not admit assets of the "testator come to their hands."—Account against them of his personalty—Settled accounts not to be disturbed. (Seton, 6th Ed. (1901), p. 2183.)

The usual accounts of a deceased partner's personal estate in an action by beneficiaries are ascertained by "an "inquiry what was the amount of the testator's capital, "stock-in-trade, credits, debts, and liabilities in the "partnership trade or business of, &c., in the pleadings "mentioned, on the footing of the deed of, &c. An inquiry "whether any, and which, of the debts due to the said "partnership at the date of the said deed remained unpaid, "and under what circumstances, and whether any, and "what, steps ought to be taken for recovering the same; "an account of the business, and of the profits and losses "thereof, in each year since the testator's death; an "inquiry what is the present amount of the capital, and "of the credits, debts, and liabilities of the said business, "and how much capital has been derived." (Seton, p. 2200.) It may finally be noted that to an action by beneficiaries against the representatives of a deceased partner for a general partnership account, all the surviving partners must be made parties. (*Vyse v. Foster*, L.R. 7 H.L. 318.)

Accounts in the Winding-up of Estates.

One of the first duties of an executor is to be prepared with his accounts of the estate of the deceased, and to neglect this duty is a ground for charging him with interest. (*Pearse v. Green*, 1 J. & W. 140.) The accounts must be kept clear and distinct, and if the executor allows these accounts to become mixed with his own trading accounts he cannot refuse to produce such account books. (*Freeman v. Fairlie*, 3 Mer. 44.) It must further be remembered that a legatee, though he has no right to a copy of the estate accounts at the expense of the estate, has a right to inspect such accounts and to have a satisfactory explanation of the position of the estate assets. (*Ottley v. Gilby*, 8 Beav. 602.)

It would seem in view of the provisions of the Land Transfer Act, 1897 (Sections 1 (1) and 2 (2) and 2 (3), that this rule also applies to an heir and devisee of real estate. See also on this point "Lewin's Law of Trusts" (11th Ed., 1904), p. 554. These sections must be set out here, as it would certainly appear that this Act has cast further duties as to accounts upon the personal representatives of a deceased person:—

Section 1 (1) "Where real estate is vested in any person without a right in any other person to take by survivorship it shall, on his death, notwithstanding any

testamentary disposition, devolve to and become vested in his personal representatives or representative from time to time as if it were a chattel real vesting in them or him."

Section 2 (2) "All enactments and rules of law relating to the effect of probate or letters of administration as respects chattels real, and as respects the dealing with chattels real before probate or administration, and as respects the payment of costs of administration and other matters in relation to the administration of personal estate, and the powers, rights, duties, and liabilities of personal representatives in respect of personal estate, shall apply to real estate so far as the same are applicable, as if that real estate were a chattel real vesting in them or him, save that it shall not be lawful for some or one only of several joint personal representatives, without the authority of the Court, to sell or transfer real estate."

Section 2 (3) "In the administration of the assets of a person dying after the commencement of this Act, his real estate shall be administered in the same manner, subject to the same liabilities for debt, costs, and expenses, and with the same incidents, as if it were personal estate; provided that nothing herein contained shall alter or affect the order in which real and personal assets respectively are now applicable in or towards the payment of funeral and testamentary expenses, debts, or legacies, or the liability of real estate to be charged with the payment of legacies."

It is therefore conceived that until the real estate is vested in the heir or devisee the personal representatives have the same duty to account for rents and profits as in the case of leaseholds. This will frequently involve a considerable increase of responsibility in the matter of accounts on the part of the personal representatives. It may be noted here that "trustees can, where they are "required to furnish accounts in respect of their trust "estate, demand to be paid or to be guaranteed the costs "of doing so before complying: it makes no difference that "one of the trustees is a solicitor." (*Re Bosworth*, 58 L.J. Ch. 432; and see "Williams' Law of Executors and Administrators," 10th Ed. (1905), p. 1626.) An executor "must account for all profits which have accrued in his "own time, either spontaneously or by his acts, out of "the estate of the deceased." (Williams, p. 1483.) Thus profits may accrue after the death of the testator by contract, by remainder, by increase, and by condition ("as "where a lease for years, or cattle, plate, or other chattels, "was granted by the testator, upon condition that if the "grantee did not pay such a sum of money, or do other "acts, &c., and this condition is broken or not performed "after the testator's death, the chattel will be brought back "to the executor and be assets." Williams, p. 1283.) Moreover, all profits derived by the executor from his office, as where he abandons it in favour of another for a valuable consideration, must be brought into account. (Williams, p. 1483.) All profits derived from the carrying on of the testator's business or trade must be brought into account. Moreover, "if a partner in a trading firm dies, "and if he constitutes one or more of his co-partners his "executors, and if there is nothing special in the contract "of co-partnership, and if the assets of the testator are not "withdrawn from the co-partnership but are left in it, and "no liquidation is arrived at, no settlement of accounts "come to, it is a trite and familiar rule in the Court of "Chancery to hold that the estate of that testator is to all "intents and purposes entitled to the benefit of a share of "the profits which are made in the trade after his death." (Lord Cairns, L.R., *Vyse v. Foster*, 7 H.L. 318; and see Section 42 (2) of the Partnership Act, 1890; and Williams, pp. 1485-6.)

The general principle is that accrued profits in the hands of an executor must be accounted for, while any losses due to the laying out of the assets on private securities cannot be recouped out of the assets. A Court of equity "will compel an executor or administrator, in the same "manner as it does an express trustee, to discover and set "forth an account of the assets, and of his application of "them: and, even in a case where the testator directed that "the executor should not be compelled by law to declare "the amount of a residue bequeathed to him, the Court "directed an account against him." (*Gibbons v. Dawley*, 2 Ch. Cas. 198; Williams, 1610.) In order to secure the assets, the Chancery Court will, before probate or letters of administration have been granted, in exceptional circumstances appoint a manager or receiver or both. Moreover, if "in the case of an executor or administrator, "any misconduct, waste, or improper disposition of the "assets is shown, or if he is out of the jurisdiction, the "Chancery Division will instantly interfere and appoint a "receiver. So the bankruptcy of a sole executor and trustee "is a ground for such an appointment." (Williams, p. 1615.) The Court will not appoint a receiver merely to deprive an executor of his right of preference (*Re Stevens*, [1898] 1 Ch., at pp. 173-4), nor because the executor may, and probably will, exercise his right of retainer to the prejudice of the general body of creditors, unless, indeed, the assets are being wasted (*Re Wells*, 45 C.D. 569), and the administration is not to be taken from the executor upon slight grounds. "The Court has no jurisdiction to order, "in a summary way, the executor of a deceased receiver "to bring in and pass his testator's accounts, and pay the "balance to be found due out of the assets." (*Jenkins v. Briant*, 7 Sim. 171; Williams, 1615.) As to the protection

afforded to executors carrying on a testator's business under the provisions of the will and with the assent of the creditors, see the decision of the House of Lords in *Dowse v. Gorton* ([1891] A.C. 190), *Brooke v. Brooke* ([1894] 2 Ch. 600), and *Newton v. Rolfe* ([1902] 1 Ch. 342).

One executor may settle an account with any person accountable to the testator's estate, and in the absence of fraud this settlement will bind the other (even though dissenting) executors (*Smith v. Everitt*, 27 Beav. 446; Williams, p. 716); but this does not seem to be the case where the executor personally gains by the settlement. (*Stott v. Lord*, 8 Jur. N.S. 249.) One of two executors may sue the other for an account and payment of moneys owing to the testator. (*Peake v. Ledger*, 8 Hare, 313; "Walker's Law of Executors," 3rd Ed., pp. 166-7.) It is further pointed out that, "where a residuary legatee "brought an action to have executors' accounts taken, in "consequence of their insisting on the correctness of the "accounts rendered by them in spite of specific objections "raised to them by the legatee, and such objections were "sustained, the Court ordered the executors to pay the "costs of the action." (*Pearce v. Radclyffe*, 29, W.R. 420.) "A residuary legatee who asks the executor for her share "of the residue, is like a person who brings an action for "money had and received on her account. It is no more "than that. Being an executor he has a right to have the "account taken. He is in no better position than if he "were only a defendant to an action for money had and "received." (*Ibid* 421 per Bacon, V.-C.) "Where an "accounting party destroys the accounts before the matters "have been finally adjusted, and, still more, pending a "litigation, the Court will presume everything most "unfavourable to him consistent with the established "facts." (*Gray v. Haig*, 20 Beav. 219; and see *White v. Lady Lincoln*, 8 Ves. 363; Walker, p. 174.) Where a judgment or order is made directing an account of legacies, interest is computed on such legacies after the rate of 4 per cent. per annum from the end of one year after the testator's death, unless otherwise ordered, or unless any other time of payment or rate of interest is directed by the will, and in that case according to the will. (Order LV., r. 64.) Interest on a legacy charged on real estate runs from the date of death (*Turner v. Buck*, L.R. 18 Eq. 301; and see *Re Waters*, 42 C.D. 517), but where the legacy is payable at a future date interest only runs from that date (*Lord v. Lord*, L.R. 2 Ch. 782), but when the legacy is directed to be paid *before* a future date the usual rule applies. (*Re Olive*, 53 L.J. Ch. 525; and see *Re Blachford*, 27 C.D. 676, and *Re Bignold*, 45 C.D. 496.) Arrears of an annuity do not carry interest. (*Re Hiscoe*, 71 L.J. Ch. 347.) Advancements to children bear interest as from date of death only. (*Stewart v. Stewart*, 15 C.D. 539.) Generally in the case of debts to an estate where an account is ordered, the debts that carry interest shall carry their own rate of interest, and all others the rate of 4 per cent. per annum from the date of the judgment or order. (Order LV., r. 62.)

We now turn to the question of accounts for probate, which must be referred to here, though it cannot be dealt with fully. Reference should in cases of difficulty be made to practice books—such as "Tristram and Coote's Probate Practice" (13th Edition), or "Bennett's Practitioner's Guide"—on the subject.

In the executor's oath (swearing to the will) the executors pledge themselves to "exhibit a true and perfect "inventory of the said estate, and render a just and true "account thereof whenever required by law so to do." Where probate is granted, but power is reserved for other executors to come in and prove, a copy of the account of the estate identical with that to be attached to the Inland Revenue affidavit must be brought in and annexed to the oath. This affidavit varies in form to meet the special circumstances of the case. Thus, in cases where the deceased died after 1st August 1894, and only personal property passes on the death, the form used is the one known as Form A-4. This form, in paragraph 3, runs as follows:—"The account marked 'A' hereto annexed, is a "true account of the particulars and value, as at the date "of the deceased's death, so far as I —— have been able "to ascertain the same, of all the personal property of the "deceased, whether in possession or reversion, within the "United Kingdom, exclusive of what the deceased may "have been possessed of or entitled to as a trustee and "not beneficially, but including personal property over "which the deceased had and exercised an absolute power "of appointment." It is to be noted that in pursuance of the Finance Act, 1894, Section 8 (3), executors must set forth in the accounts annexed to the affidavit *all* the property liable to duty, though they are only responsible for estate duty in respect of the personal property (wherever situate) that the deceased could dispose of at his death. As we have noted above, the Land Transfer Act, 1897, affects the question of executors' accounts, but it throws no new responsibility for duty on the executors. The affidavits referred to above apply equally in the case of a will or an intestacy. The special account forms issued by the Inland Revenue under the Finance Acts, and known as forms C1, C2, C3, D2, should be referred to if it is desired to appreciate a method of accounts designed to secure a return of all kinds of property liable to duty. C1 deals with the property on which estate duty was not paid on the Inland Revenue affidavit. C2 is the account for settlement estate duty. C3 is the account that deals with the payment of estate duty and settlement estate duty by

instalments. The one mercy vouchsafed to the rich by Sir William Harcourt, D2, is what is ominously known as a Corrective Account. The question of the carrying in of residuary accounts cannot be dealt with here; it is a special art, and is a peculiar branch of solicitors' work turning rather upon questions of arrangement than questions of form. (See generally "Hanson's Death Duties," 5th Ed., 1904.)

Under certain circumstances executors and trustees may be allowed to employ accountants. Thus, in the case of *Henderson v. M'Iver* (3 Madd. 275), the Vice-Chancellor held "that from the nature of the accounts the Executor "was justified in employing an Accomptant, and that the "Expense ought to be allowed in his Accounts." (See also *New v. Jones,* cited in "Lewin's Law of Trusts" (11th Ed., 1904), p. 769.) It must be remembered, however, that executors are only allowed to charge for the employment of an agent under very special circumstances. (*Weiss v. Dill,* 3 Myl. & K. 26.) In an administration action, the taking of elaborate accounts requiring the intervention of an accountant may be unavoidable. This class of action is provided for by Order LV., r. 3, of the rules of the Supreme Court. Rule 3 declares that "the executors or "administrators of a deceased person or any of them, and "the trustees under any deed or instrument or any of "them, and any person claiming to be interested in the "relief sought as creditor, devisee, legatee, next-of-kin, or "heir at law, or customary heir of a deceased person, or "as *cestui que trust* under the trust of any deed or instru-"ment, or as claiming by assignment or otherwise under "any such creditor or other person as aforesaid, may take "out, as of course, an originating summons returnable in "the Chambers of a Judge of the Chancery Division for "such relief of the nature or kind following, as may by the "summons be specified, and as the circumstances of the "case may require, (that is to say) the determination, "without an administration of the estate or trust, of any "of the following questions or matters:—

"(*c*) The furnishing of any particular accounts by the "executors or administrators or trustees, and the vouching "(when necessary) of such accounts."

It was held in the case of *Re Dartnell* (1895, 1 Ch. 474) that a beneficiary under a will expectant on the death of a tenant-for-life had a right to particulars of the trust estate, and the investment thereof. Under this order (LV.), Mr. Justice Kekewich has held that it is not necessary under an ordinary order for accounts in an administration action to vouch every item before the Master, as any items can be waived by the parties taking the accounts. (*In re Brown; Benson v. Grant,* [1895] W.N. 115 (9).)

Finally, two cases relating to accounts in administration actions may here be referred to. In the case of *Jones v. Morgan* (1893, 1 Ch. 304), where a trustee, defendant to an administration summons, alleged that he had expended the whole of the residue in educating and maintaining A., the residuary legatee, during his minority, which expired in 1880, the Court held that the residuary legatee's right to an account was barred by Section 8 of the Trustee Act, 1888. This decision is of great importance to trustees. The second case, *Ellis v. Roberts* (1898, 2 Ch. 142), gives the form of order for account by trustees entitled to the protection given by Section 8 of the Trustee Act, 1888, against liability to render accounts extending beyond six years from the commencement of the action. The form was the form settled in the action of *How v. Earl Winterton* (1896, 2 Ch. 626), and approved by the Court of Appeal. It runs as follows:—

"And the defendant by his counsel admitting that on "the 9th August 1889"—six years before the issue of the writ—"there were moneys in his hands liable to the trust "for accumulation by the will of the testatrix directed, "This Court doth order that the following account be "taken, that is to say (1) an account of the moneys in the "hands of the defendant on the 9th August 1889, liable to "the trusts for accumulation under the will of the tes-"tatrix, Mary Rabett, and of the rents and profits of the "testatrix's estate subsequently received by him in respect "of the said term of fourteen years; but in ascertaining "the actual amount of the moneys in the hands of the "defendant on the date aforesaid, any payments made "before that date are to be allowed to the defendant." This order was applied in the case of *Ellis v. Roberts* in view of the decision of the Court that the trustees' account should be limited to six years prior to the date of the summons.

LIABILITY TO ACCOUNT IN SPECIFIC CASES.

It will be convenient briefly to summarise here the more salient rules as to liability to account in specific cases, and as to the enforcement of such liability in the event of non-compliance.

(1) Executors and Administrators.

An executor or administrator must keep clear and distinct accounts of the property which it is his duty to administer, and of all profits which, *in any way*, have accrued during his period of office. Executors and administrators are charged with interest on the assets in their hands at the rate of 4 per cent., if they have been negligent in laying out the money for the benefit of the estate, or the profits can be claimed or 5 per cent. charged (in certain cases at compound interest, or with "rests" giving double compound interest), if they have used the

money or estate to their own interest. The right to an account is enforceable by an action brought in the High Court. (See generally Williams (10th Ed., 1905), pp. 1482-87.)

(2) Trustees under Wills, Settlements, and Trust Deeds.

Trustees (including agents and receivers, but see *Shields v. Bank of Ireland*, [1901] 1 I.R. 222) must render accounts when called upon to do so by beneficiaries, and must be always ready to do so. (*Cattley v. West*, [1904] 2 Ch. 785.) If an action is rendered necessary by the neglect to keep accounts, the trustees will be liable in costs, at any rate up to the moment in the action when the accounts are produced. A solicitor trustee to whom the management of the trust has been left as the acting trustee is liable to indemnify his co-trustee against the costs of an action caused by his negligent conduct of the trust business, even where no actual loss has been thereby occasioned to the trust estate. (*Cattley v. West*, [1904] 2 Ch. 785. See also *Lockhart v. Reilly*, 25 L.J. Ch. 697; *Bahin v. Hughes*, [1886] 31 C.D. 390; and *In re Turner*, [1897] 1 Ch. 536.) The beneficiaries are entitled to inspect the accounts and vouchers, but not to a copy of them, at the expense of the trust estate. Trustees must, moreover, account unconditionally, and not upon terms, as to expenses not legally chargeable by trustees, though in some cases they are entitled to a guarantee against the expenses of rendering accounts. A disclaiming trustee or executor must account for any money that may have come into his hands. New trustees have the same liability as the old trustees in so far as liability is disclosed by the trust documents and papers (*Hallows v. Lloyd*, 39 C.D. 686), and therefore it is essential for a person about to be appointed a trustee to see that the deed of appointment sets out fully all dealings with the estate previous to his appointment, in order that his liability shall in fact only run from his appointment. New trustees are not, however, liable to account with respect to matters of which they have no notice, actual or constructive. (See *Phipps v. Lovegrove*, L.R. 16, Eq. 80.) A retiring trustee is, of course, not liable to account in respect of matters occurring after his retirement. A trustee who acquiesces in the mode in which accounts are kept by his co-trustee, and allows beneficiaries to believe he has sanctioned the mode, is responsible for the truth of the accounts, and, if the accounts are false, the Court can order him to make good the defalcations. If trustees can establish that a deceased trustee took an active part in the trust, an account may be ordered against his personal representatives. It must be remembered that concurrence by beneficiaries in breaches of trust is not a sufficient ground for a refusal to account on the part of the trustees.

Where a fund is settled upon a tenant-for-life and remaindermen, and is invested in accordance with the powers of the settlement upon a mortgage which proves to be insufficient for the payment of principal and interest in full, the sum realised by the security ought to be apportioned between the tenant-for-life and the remaindermen in the proportion which the amount due for arrears of interest bears to the amount due in respect of the capital debt. (*Barber's Company v. Grose-Smith*, [1904] 2 Ch. 160.)

Accounts must be rendered by trustees appointed under the Judicial Trustees Act, 1896. (See Section 1 (6), and Rule 14 of the Judicial Trustee Rules, 1897; and Seton, pp. 1278-82.)

Where money is transmitted by a principal to an agent for investment in a specified manner, the agent must account as an express trustee of money so transmitted, and the Statute of Limitations is not a bar to an action. (*North American Land and Timber Company v. Watkins*, [1904] 2 Ch. 233.)

The principle contained in the old case, decided in 1726, of *Keech v. Sandford* (Select Cases in Chancery, 61; 2 White and Tudor, 7th Ed., p. 693) is of importance. In that case A. bequeathed a lease to B. in trust for an infant. B., before the expiration of the term, applied to the lessor for a renewal for the benefit of the infant. The lessor refused to grant such renewal, but granted a lease to B. himself. The Court held that B. was a trustee of the lease for the infant and must assign the same to him and account for the profits, but that he was entitled to be indemnified from the covenants contained in the lease. The principle of *Keech v. Sandford* has been extended to purchases of reversions on leasehold property when the leaseholds are renewable by custom (see *Phillips v. Phillips*, 29 C.D. 673), but it has been held not to apply to the purchase of reversions on leaseholds where there is no right or custom of renewal. (See *Randall v. Russell*, 3 Mer. 190; *Longton v. Wilsby*, 76 L.T. 770.) In the case of *Griffith v. Owen* ([1907] 1 Ch. 195), Parker, J., extended the principle to the purchase by a trustee or tenant-for-life, from a mortgagee exercising his power of sale, of property the equity of redemption in which is the subject of the action. Where the purchase is for a sum that makes the equity of redemption valueless the case comes within the principle of *Keech v. Sandford* as applied to purchases of reversions.

(3) Liquidator of Company Wound up by the Court.

Such liquidator, under the Companies Act, 1890, must account to the Committee of Inspection. Accounts must be kept in the prescribed form, and the Cash Book must be in the form approved by the Board of Trade. An account of receipts and payments (in a prescribed form) must be

sent to the Board of Trade at least twice a year. (Section 20.) Such vouchers and information as the Board require must be furnished, and the Board may at any time require the production for inspection of any books and accounts kept by the liquidator. The Board causes the accounts sent to be audited. The accounts are also certified by the Committee of Inspection, and, with the certificate of audit, are filed in the High Court.

A summary of such accounts is sent to all creditors and contributories. The inspection of books and papers of the company by creditors or contributories is regulated by Section 156 of the Companies Act, 1862, and Section 21 of the Companies Act, 1900.

It should be noted that the directors of a company are agents and must keep full accounts. Provision for such accounts is usually made in the articles of association.

(4) Accounts in Bankruptcy.

Until a trustee in bankruptcy is appointed the Official Receiver must keep a record of receipts and payments in a Cash Book in the form directed by the Board of Trade. The trustee must submit his Record Book and Cash Book to the Committee of Inspection not less than once every three months, and the Committee must as often audit and certify the Cash Book. The trustee must every six months transmit to the Board of Trade a duplicate copy of the Cash Book for that period, with the necessary vouchers and copies of the certificates of audit by the Committee of Inspection. With the first accounts he must also send, in the prescribed form, a summary of the debtor's statement of affairs. When the estate has been fully realised and distributed, or the adjudication annulled, the trustee must at once send in his accounts to the Board of Trade. The accounts sent in by the trustee must be certified and verified by him in the prescribed form. When the trustee's account has been audited, the Board shall certify that the account has been duly passed, and thereupon the duplicate copy, bearing a like certificate, shall be transmitted to the Registrar, who shall file the same with the proceedings in bankruptcy. Each copy is open to the inspection of any creditor, or of the bankrupt, or of any person interested. (Bankruptcy Act, 1883, Section 78 (4).) It has been recently decided in the Court of Appeal that a debtor has no right under any circumstances to inspect the trustee's Record Book in the bankruptcy, and the Court has no power to give him leave to do so. (*In re Solomons*, [1904] 2 K.B. 917. See Bankruptcy Act, 1883, s. 80; and Bankruptcy Rules 16, 285, 287, and 292.) Where a receiving order has been made against debtors in partnership, distinct accounts shall be kept of the joint estate, and of the separate estate or estates, and no transfer of a surplus from a separate estate to the joint estate on the ground that there are no creditors under such separate estate shall be made until notice of the intention to make such transfer has been gazetted. (Bankruptcy Rules, 293.) In a very recent case where a client, a year after agreeing his solicitor's account, became bankrupt, and the solicitor claimed to prove for the principal and interest, due under the covenant in the mortgage given by the client to secure the account, less the value of the security, and also claimed to prove for the same principal sum on an account stated, it was held that, as between the trustee in bankruptcy and the solicitor, the trustee represented the general body of creditors, and was entitled to go behind the covenant in the mortgage and the stated account, and to require satisfactory evidence, before admitting the proof, that the claim for costs represented a genuine debt. It was, however, also held that as between the debtor and the solicitor the carrying of the agreed sum for costs into the Cash Account, and the subsequent statement of account between them, was equivalent to payment of the costs within the meaning of Section 41 of the Solicitors Act, 1843, and that there were no special circumstances which entitled the debtor to require delivery of a detailed bill for taxation. (*In re Van Laun*, [1907] 1 K.B. 155.)

An underwriter at Lloyds carried on an underwriting business on behalf of himself, and also on behalf of five other persons, called his "names." An agreement existed between him and each of his "names" stipulating that proper underwriting and account books should be provided and kept in the usual manner, and should at all times be open to the inspection of the "name." The "name" paid the underwriter a fixed annual sum for his services in respect of the business, the office, and the bookkeeping. The underwriter kept books of account relating to the transactions in which he was jointly interested with the "names," or any of them, there being in the books six parallel columns, one for each "name," and one for the underwriter himself. On the underwriter becoming bankrupt (the books at the time being in the possession of accountants), it was held by the Court of Appeal that the "names" had a joint property in the books with the bankrupt, and that the trustee in bankruptcy was not entitled to have the books delivered up to him, but that the "names" must undertake to give to the trustee reasonable facilities for inspecting the books. (*In re Burnand*, [1904] 2 K.B. 68.)

(5) Trustee under Deed of Arrangement.

Deeds of arrangement must be registered under Acts of 1887 and 1890. (See "Williams' Bankruptcy Practice" (8th Ed. 1904), pp. 360-1, 774-94.) They include—

(*a*) An assignment of property.

(*b*) A deed of or agreement for a composition.

(*c*) A deed of inspectorship by creditors, entered into for the purpose of carrying on or winding up a business.

(*d*) A letter of licence from the creditors authorising the debtor, or any other person, to manage, carry on, realise, or dispose of a business, with a view to the payment of debts.

(*e*) Any agreement or instrument entered into by the creditors for the purpose of carrying on or winding up the debtor's business, or authorising the debtor, or any other person to manage, carry on, realise, or dispose of the debtor's business, with a view to the payment of debts.

In a deed under (*c*)—an "inspectorship deed"—a special power is sometimes given to employ a professional accountant to assist in carrying on or winding-up the business. Such accountants are agents of the debtor and not of the creditors, who are not liable for the misfeasance of the accountant. (*Hobson v. Jones*, L.R. 9 Eq. 456.) But the inspectors (*i.e.*, chief creditors) are, as a rule, liable to pay for the services of the person they employ, including, of course, such accountants. (*Wardell v. Jackson*, 1 F. & F. 452.) Inspectors must account properly. (*Chaplin v. Young*, 33 Beav. 330; and see "Lawrence on Deeds of Arrangement," 5th Ed. (1900).)

By Section 25 of the Bankruptcy Act, 1890, every trustee under any deed of arrangement shall within thirty days of January 1st in each year transmit to the Board of Trade (or as they shall direct) an account of his receipts and payments as such trustee, in the prescribed form, and verified in the prescribed manner. This provision, on the application of the Board of Trade, may be enforced by the Judge of the High Court to whom bankruptcy business has been assigned. The term "trustee" includes any person appointed to distribute a composition, or act in any fiduciary capacity under any deed of arrangement. The accounts submitted to the Board of Trade in pursuance of this section shall be open to the inspection of any creditor on payment of the prescribed fee. The method of keeping the accounts by the trustee, with forms, is prescribed by rules issued under Section 25 of the Bankruptcy Act, 1890.

(6) ACCOUNTS BETWEEN MORTGAGOR AND MORTGAGEE.

A mortgagee is entitled to an immediate account of his principal, interest, and costs, and to have a day fixed for payment or foreclosure. Until the legal mortgagee takes possession, neither the mortgagor remaining in possession, nor his assignees in bankruptcy, nor a person holding under a mere voluntary trust for the mortgagor, need account to the mortgagee for the rents and profits. A mortgagee in possession must be diligent in realising the amount due on the mortgage. He is liable to account for the rents and other profits during his possession (and in taking such an account the Statute of Limitations is no bar), unless he can enter into possession under such an agreement with the mortgagor, for possession at a fixed rent, as the Court will uphold. The mortgagee must account to those who are interested in the equity of redemption, and he cannot by any dealing with the estate relieve himself from this liability. A mortgagee in possession is liable to account to a second mortgagee for so much of the surplus rent as he has paid to the mortgagor; but this is only from notice given of the subsequent mortgage. In the case of *Noyes v. Pollock* (30 C.D. 336) the Court of Appeal held that an account against a mortgagee in possession must show not only what a mortgagee receives from his agent, but what the agent himself received from the tenants, since without the knowledge derived from such an account the plaintiff would be unable to proceed with an inquiry as to wilful default, which is a matter of surcharge. The Court of Appeal also held that the death of the agent could not excuse a mortgagee from this liability. Any incumbrancer can, of course, ask for accounts against the mortgagor. An assignee or subsequent incumbrancer of the equity of redemption stands in the position of the mortgagor in the matter of accounts.

The purchaser in good faith of a mortgage debt is entitled to the entire debt, and not merely what he gave for it, and there is no right against him for an account of what he has paid for his purchase. So if the reversioner in fee purchases the first of several mortgages for less than is due on it, he may hold it for all that is due on it, and the puisné incumbrancers have no account against him (see "Fisher on Mortgages," 5th Ed., p. 826), save where the purchaser is in a fiduciary capacity. An assignee of a mortgage is bound by the state of accounts between mortgagee and mortgagor. (See also "Lewin's Law of Trusts," 11th Ed., 1904 (p. 207), and "Coote's Law of Mortgages," 7th Ed., 1904, cap. LIV.)

(7) PATENTEES' ACCOUNTS.

A patentee should keep exact accounts, showing in detail the profits he has derived from the patent, if he purposes applying for a prolongation of his patent. Lord Cairns, in *Saxby's Patent* (L.R. 3 P.C. 292), said, on this subject: "It is the duty of every Patentee who comes for the prolongation of his Patent to take upon himself the *onus* of "satisfying this Committee in a manner which admits of "no controversy of what has been the amount of remunera- "tion which, in every point of view, the invention has "brought to him, in order that their Lordships may be "able to come to a conclusion, whether that remuneration "may fairly be considered a sufficient reward for his "invention or not. It is not for this Committee to send "back the accounts for further particulars, nor to dissect

"the accounts for the purpose of surmising what might be "their real outcome if they were differently cast; it is for "the Applicant to bring his accounts before the Committee "in a shape which will leave no doubt as to what the "remuneration has been that he has received." The importance of employing an accountant in connection with such an application is clear. It is not only the matter, but the form, of the accounts that is essential before the Privy Council. In the case of *In re Henderson's Patent* (1901, A.C. 616), Lord Davey said: "It "is sufficient for the present purpose to say that the "accounts are not before their Lordships in a shape which "enables them to form any clear opinion on the subject" of the petitioner's remuneration. In the still more recent case of *In re Wuterich's Patent* (1903, A.C. 206), Lord Macnaghten said: "Their Lordships do not doubt that the "accounts of the petitioner have been honestly kept, and "that the accounts presented to their Lordships have been "honestly made out by the accountant, nor do they doubt "that the accountant has done his best to present the "accounts in an intelligible form. Still, the fact remains "that their Lordships are unable to discover from the "accounts put before them what remuneration the patentee "has actually received. . . . It seems clear to their "Lordships that the petitioner in this case has not done "what he ought to have done. The accounts submitted to "the Attorney-General and presented to this Committee "must be intelligible and complete. It is not competent for "an applicant for the extension of his patent, except "perhaps in very special circumstances, to recast or supplement the accounts which he has lodged by oral evi- "dence at the hearing." In other words, if an extension of the patent is desired the entire accounts of profits received must be submitted in an absolutely lucid form, showing exactly the remuneration earned, to the Attorney-General, and presented to the Judicial Committee of the Privy Council. Lord Chelmsford's judgment in *Betts' Patent* (1 Moo. P.C. (N.S.) 49) and the decision in *Hughes' Patent* (1898, 15 Rep. Pat. Cas. 370) should also be consulted in connection with the presentation of Patentees' Accounts.

(8) Money-Lenders' Accounts.

Under Section 1 of the Money-lenders Act, 1900, the Court has power, when re-opening an existing money-lending transaction, to re-open also one that is past and closed, provided it is relevant to, or in some way connected with, the existing transactions. (*Saunders v. Newbold*, [1905] 1 Ch. 260). The following is the form of judgment under the Act applicable to the re-opening of a loan transaction and the directing of an account (1905, 1 Ch. 263):— "This Court doth declare that all the transactions and "accounts whatsoever between the plaintiffs Braham "Samuel and Philip Samuel (carrying on business as "money-lenders and suing herein under the registered "name of 'P. Saunders') and Hepworth Tropolet Alton "deceased ought to be re-opened and set aside, and that "the defendant, as executor of the will of the said H. T. "Alton, deceased, ought to be relieved from payment of "any sum in excess of the sums actually advanced by the "plaintiffs to the said H. T. Alton, deceased, and interest "thereon at the rate of £10 per cent. per annum; and that "if any such excess had been paid by the said H. T. "Alton, deceased, or by the said defendant as the executor "of his will, the plaintiff ought to repay the same to the "said defendant: And this Court doth order and adjudge "the same accordingly. And it is ordered that the follow- "ing account be taken, that is to say, an account of all "sums actually advanced by the plaintiffs B. Samuel and "P. Samuel, or either of them, or Alton, deceased, and of "all sums received by the plaintiffs, or either of them, or "anyone on their behalf, from the said H. T. Alton, or "from the defendant as his executor, in respect of any "such advance; and that in taking such account the "defendant be charged with interest at the rate of £10 per "cent. per annum on the sums from time to time owing to "the plaintiffs, and that the balance due from either of the "parties to the other be certified. And it is ordered that "the plaintiffs do pay to the defendant his costs of this "action up to and including this judgment in any event. "And this Court doth specially reserve the question by "whom the costs of the said account are to be borne. And "it is ordered that the further consideration of this action "be adjourned."

(9) Accounts of Local Authorities.

Mr. Arthur O. Hobbs, writing in the "Encyclopædia of Local Government Law" (1905) on "Accounts and Audit of Local Authorities," brings home the importance of this subject when he tells us that: "Excluding Boards of "Guardians and Local Authorities in the Metropolis, there "are some 25,000 Local Authorities in England and Wales, "all of whom have financial transactions to record. There "are about twenty different kinds of Local Authorities, "ranging from a Parish Meeting, with an annual expendi- "ture of a few shillings, to a County Council, or a Council "of a county borough, with an annual expenditure of more "than a million pounds." All Local Authorities, as defined by the District Auditors Act, 1879, must make returns of their expenditure to the Local Government Board, which annually publishes "The Annual Local Taxation Returns." The Board can prescribe the form of all accounts of a Local Authority subject to the District Auditors Act, 1879 (Section 5). The form of the accounts of Urban and Rural District Councils is also dictated by the Local Government Board (Public Health Act, 1875, Section 245; Local Government Act, 1894, Section 58). There is no uniformity

as to the accounts of County and Borough Councils, and other bodies which are not subject to a Government audit. The public have, however, some right of inspection of the accounts of such bodies. (See *Williams v. Manchester Corporation*, [1897] 13 T.L.R. 299.) The right of ratepayers of an urban district to inspect accounts is limited to the period of audit, with certain additional rights under Section 219 of the Public Health Act, 1875 (Hobbs, p. 6).

The publication of an abstract of accounts is necessary in the case of Borough Councils (Municipal Corporations Act, 1882, Section 27 (2)), County Councils (Local Government Act, 1888, Section 71 (2)), Urban District Councils (Public Health Act, 1875, Section 247 (10)), and Rural District Councils (Local Government Act, 1894, Section 58 (2)); but Parish Councils need not publish an abstract of their accounts (Local Government Board Order, May 20th 1895); they must, however, lay before the Parish Meeting annually a copy of the financial statement, as certified by the district auditor. Parish Meetings need publish no accounts. "The finance of all Local Authorities is based "on the principle of estimating the receipts and expendi-"ture for the next ensuing financial year and making pro-"vision in some way or other, generally by levying rates, "to meet during that year the estimated excess of expendi-"ture over receipts. Hence all Local Authorities estimate "the amount they will require to be raised to enable them "to carry on their work for the succeeding year or half-"year as the case may be. Overdrafts by Local Authori-"ties on their treasurer's bankers are generally illegal, "and not only are such overdrafts liable to be dis-"allowed, but also any interest charged or paid in "respect of them. Section 74 of the Local Govern-"ment Act, 1888, requires every County Council to cause "to be submitted to them at the beginning of each financial "year an estimate of the receipts and expenses of the "Council during the year, whether on account of property, "contributions, rates, loans, or otherwise. Other Local "Authorities do not appear to be subject to a similar "statutory requirement," (Hobbs, p. 8) though certain estimates have to be made by every urban authority under Section 218 of the Public Health Act, 1875. Mr. Hobbs points out that "proper supervision is absolutely neces-"sary in all cases where officers are accountable for "money or stores. No matter how long the officer may "have served, or how high his position, it is essential "that a systematic supervision should be exercised at "periodical intervals. An efficient examination should "be made of all Cash Accounts; and a thorough exami-"nation of all Rate Receipt Check Books with the Collect-"ing and Deposit Book and Rate Book, during the currency "of a rate, should be an effective check upon a collector's "accounts."

Full details as to the system of accounts adopted by Local Authorities will be found in Mr. Hobbs' monograph, including the "Double-account System," usually adopted by a Local Authority "in accounts of undertakings of a commercial nature," with separate Balance Sheets for "fixed" assets and liabilities on the one hand, and working capital on the other.

County Council Accounts are grouped under four headings: (*a*) County Fund Account, (*b*) Exchequer Contribution Account, (*c*) Education Accounts, (*d*) Police Pension Fund Accounts. Town Council Accounts fall into two divisions: (*a*) The Municipal Authority Accounts, (*b*) Urban Sanitary Authority Accounts. "In the case of a "County Borough an Exchequer Contribution Account and "a Police Pension Fund Account are also kept which are "quite distinct from the other accounts." In certain non-county boroughs similar accounts are kept. These accounts follow the forms used by County Councils. The accounts of Urban District Councils in the main follow those of Town Councils. The accounts of Local Education Authorities form a special subject, governed in the main by the Education Acts, 1902-3. They are kept quite separate from the other accounts of the authority. The authority "cannot delegate to the Education Committee "the power of making orders upon the county treasurer for "the payment of money." Funds, however, can be placed at the disposal of the Committee. (Circular letter of Local Government Board, April 24 1903.) Rural District Council Accounts are governed by the Local Government Act, 1894, and follow the form used by Urban District Councils. The form of the accounts of Overseers of the Poor are prescribed by the Local Government Board's General Order for Accounts of January 14th 1867. They must make up and balance all their books and accounts to March 31st and September 30th in each year. (General Order, September 8th 1903.) See also the Poor Rate Act, 1743.

The form of financial statement of Parish Councils is prescribed by an Order of the Local Government Board of April 20th 1900. A form prescribed by Order of the Local Government Board dated March 22nd 1898 is used by Parish Meetings. The Local Government Board has also prescribed the forms of accounts of other Local Authorities, such as Joint Water Boards and Sewer and Drainage Authorities. The principal books kept by a Local Authority are (1) Minute Book; (2) Treasurer's Account; (3) Ledger; (4) Balance Sheet; (5) Cash Account; (6) Petty Cash Account; (7) Collectors' Accounts; (8) Stores Accounts; (9) Wages Accounts; (10) Cost Accounts; (11) Register of Mortgages and Transfers of Mortgages.

The audit of local accounts is made either by district auditors appointed by the Local Government Board or by

locally-elected auditors. The second class of auditors usually audit the accounts (other than Education Accounts) of Town Councils (apart from special local Acts). The Government audit—the first class named above—is made by auditors appointed under the District Auditors Act, 1879, and the Local Government Board have power to regulate the audit.

The Local Authorities (Expenses) Act, 1887, enacts that expenses sanctioned by the Local Government Board shall not be disallowed by the auditor. This has avoided many technical disallowances. The vast bulk of Local (other than Municipal) Authorities are subject to a Government audit. Municipal audit is on the whole considered unsatisfactory. Under the Municipal Corporations Act, 1882, the audit is undertaken by three borough auditors—"two elected by the burgesses, called elective auditors, "and one appointed by the mayor, called mayor's "auditor." The borough treasurer, by Section 27, has to print a full abstract of his accounts for the year, but the auditor's report need not be printed. It is sometimes made a condition of a local Act that the accounts of the borough should be subject to audit by a Government auditor. (See the Plymouth Corporation Act, 1904.) Some local Acts provide for the appointment of a professional auditor, while most municipalities of importance employ professional accountants to audit their accounts. It is now a growing practice to have an "internal audit" that keeps a daily and continuous check on all expenditure and receipts.

In the case of *The Attorney-General v. De Winton* ([1906] 2 Ch. 106) Farwell, J., stated that "the audit provided by the Municipal Corporations Act is quite ineffective." The auditors have no power to surcharge, and there is nothing to compel them to make illegal payments public. On the other hand, he stated that the Public Health Act, 1875, provides an efficient method of audit. This case should be carefully studied by all those who are interested in the questions of municipal audits. We may particularly note the statement that "the treasurer is not a mere servant of "the Council: he owes a duty and stands in a fiduciary "relationship to the burgesses as a body." An audit under the Municipal Corporations Act, 1882, is not "finally binding and conclusive on the borough and "the burgesses thereof. . . . I certainly see no reason "for holding that such an audit as has been put in evidence "in the present case, which does not even state that the "books and vouchers are correct, but merely that 'there "'is a total overdraft of £4,510 3s. 11d. on the 31st March "'1904,' is a bar to proceedings against the treasurer to "disallow some of the items which go to make up that "overdraft." It is to be remembered that "all overdrafts are in effect borrowings." (*Cunliffe Brooks & Co. v. Blackburn and District Benefit Building Society*, 9 App.Cas. 857; *Attorney-General v. De Winton*, [1906] 2 Ch. 106.) It is important also to notice the principle laid down by Channell, J., in the case of *Smith v. Southampton Corporation* ([1902] 2 K.B. 244): He declared that bodies such as the corporation could only charge present expenditure upon future ratepayers so far as they have statutory borrowing powers, and such borrowing powers "are granted "upon the understanding that the capital expenditure "benefits the future ratepayers." But, subject to their borrowing powers, "corporations and bodies of this character "have no right to charge future ratepayers with present "expenditure."

(10) Accounts between Vendor and Purchaser of Land.

If a purchase is not completed at the contemplated date "the purchaser is entitled to the rents and profits, and is "bound to pay interest on the purchase-money, if he has "bought under an open contract, from the time when a "good title was shown; if he bought under a contract "fixing a day for completion, but not expressly providing "for payment of interest, from the same time; and if he "bought under a contract to pay interest on failure *from* "*any cause whatever* to complete on the appointed day, as "from that day." (Cyprian Williams on Vendor and Purchaser, Vol. I., p. 449.) The vendor must account to the purchaser for the rents and profits received by him during the interval between the date when the purchaser became entitled to the rents and profits to the date when completion is made. "The amount so received must be "deducted from the amount of purchase-money and interest "payable" by the purchaser. "In taking such account the "vendor is, as a rule, chargeable only with the amount of "the rents actually received by him or for his use: (See "*Sherwin v. Shakspear*, 5 de G. M. & G. 517; Seton, 6th "Ed., p. 2237; *Bennett v. Stone*, [1902] 1 Ch. 509.) But he "may in a special case be chargeable with the amount "which, but for his wilful default, he might have received, "as where he has allowed the rents to fall into arrear "(*Wilson v. Clapham*, 1 J. & W. 36), or neglected to let "the land (*Bennett v. Stone*) or has wantonly abandoned the "property sold." In the case of *Bennett v. Stone* ([1902] 1 Ch. 226) we have a valuable discussion by Buckley, J., as to accounts of rents and profits where completion has been delayed (but not through the vendor's wilful default), and an action for specific performance has been commenced, and after the commencement of the action part of the property fell vacant and was occupied by the vendors, who paid the valuation of the outgoing tenant and farmed the land. Buckley, J., in these circumstances, said: "It "will be noticed from what I have said that this decree "contains no account upon the footing of wilful neglect or

"default; it is simply an account of rents and profits "received by them or for their use. It seems to me that in "taking that account they are to be charged, of course, "with the rents which they received; but I find no "machinery there for charging them with an occupation "rent of the land which they did not let. That would be "chargeable under a decree on the footing of wilful "default; but that is not in the decree. They are charge- "able, therefore, only with the rents they received. Then "what are they to be allowed as against that? It seems to "me they must be allowed the £469 11s. 9d. which they "had to pay to the outgoing tenant upon his leaving the "premises; that was a necessary disbursement in connec- "tion with the taking over of that property from that "tenant. But they ask for something more than that; they "ask for losses incurred by carrying on the business after "they had taken it over and when they did not let it. Evi- "dence has been filed in which it is disputed whether they "could have let the farm or not. That would have been "material if there had been an account on the footing of "wilful neglect and default, but I do not think it is material "on this account. It seems to me that as a result of this "I cannot say, and I do not mean to say, that the defendants "are not entitled to get from the plaintiff anything in "respect of this expenditure, but I do say that they are not "entitled to it under this decree. I do not see how in a "decree directing an account of rent and profits they can "have an account of business carried on by them upon "the premises which has resulted in a loss. Whether it was "necessary or not I do not know; it is not in the decree. "The plaintiff is entitled to an account of the rent and "profits, and amongst that will come into the account the "proceeds of the crops upon the land; the plaintiff will "be charged with the £469 11s. 9d. which was paid for the "crops to the outgoing tenant, and he will be able to "charge the defendants, I apprehend, with the proceeds "of the sale of those crops, and the defendants will be able "to charge the plaintiff with the necessary expenses of "realising those crops."

This decision of Buckley, J., was upheld by the Court of Appeal ([1903] 1 Ch. 509). The question of adjustment of accounts on completion of a purchase is important. If completion takes place at the proper time it is only necessary to consider the apportionment of the rents and profits and the outgoings. Apart from express stipulation, the adjustment of rent cannot be made until the rent is due and payable, when the purchaser can recover the entire rent from the tenant and the vendor his apportioned part from the purchaser. It is usually, however, stipulated that the purchaser shall pay the apportioned part on completion. Adjustment of accounts as to outgoings offers some difficulty. Rates and taxes, being payable in advance, should be apportioned and recouped on completion; while outgoings not payable in advance, such as ground rent and tithe rent charge, should, it is thought, also be apportioned on completion. (See *Lawes v. Gibson*, L.R. 1 Eq. 135, and, generally, Williams on Vendor and Purchaser, p. 627.) Where the liability for outgoings is uncertain, probably the purchaser can refuse to complete without adequate guarantee as to the payment of the part for which the vendor is responsible. Where the purchase is not completed on the agreed date, questions as to interest arise under the contract, and these must be considered in the adjustment of accounts, and also the various items for and against the vendor, such as were considered above in the case of *Bennett v. Stone*. Again, compensations for errors of description have to be brought into account. Of course (apart from express contract) claims for compensation in respect of innocent misdescription must be made before completion. Compensation is only payable for latent defects of which the purchaser had no notice. Then, again, in the adjustment of accounts where specific performance of a contract has been decreed, it has to be seen whether compensation for deficiency in the subject-matter has been ordered, and, if so, this sum has to be brought into account. Finally, in the adjustment of accounts, the costs of the sale must be considered, for part of these costs are, as a rule, borne by each party. The vendor bears the expense of preparing the abstract of title, producing evidence of title in his own possession, and his own execution of the conveyance (including all solicitor's charges for perusing and settling the conveyance on his behalf); while the purchaser pays the expense of obtaining evidence of title not in the vendor's possession, and the total cost (save as above) of the conveyance to himself. Particular circumstances and contracts may vary those responsibilities. In making out the accounts the exact facts and responsibilities as to the costs of the transaction have to be ascertained. Full details of the various questions as to the adjustment of accounts between vendor and purchaser will be found in Williams on Vendor and Purchaser, pp. 624-648.

(11) Falsification of Accounts.

Falsification of accounts is hardly a subject that comes within the scope of this appendix, but some notes on various recent cases should perhaps be given. By an Act of 1875, usually known as Lopes' Act, which was introduced into the House of Commons by Sir John Lubbock (Lord Avebury), it was made a misdemeanor, punishable with seven years' penal servitude, for a clerk or servant "wilfully, and with intent to defraud, to alter, or make a "false entry in, or omit a material particular from, any "account of his master's." (38 & 39 Vict., c. 24; see Dr.

C. S. Kenny's valuable "Outlines of Criminal Law," p. 234, Cambridge Press, 1902.) "An indictment for this offence "of false accounting is often useful where a clerk to whom "a customer has paid money is suspected of stealing it, "but no more can be actually proved than that he has "never credited the customer with the amount. If, how-"ever, his books do show correctly the sum which he ought "to have in hand, the fact of his not really having that "amount, ready to hand over, does not render the entry a "'false' one within this statute." (Kenny, p. 234.) In the case of *The King v. Oliphant*, ([1905] 2 K.B. 67) the defendant was employed by a firm, carrying on business in London, to manage their branch establishment in Paris. It was his daily duty to enter on slips an account of all sums received by him in Paris for his employers, and to transmit those slips to them in London, in order that the amounts might be entered up in a Cash Book kept in London. On a certain date the defendant received three sums in Paris, which he fraudulently appropriated to his own use, and omitted to enter the receipt thereof on the slips sent by him on that day to London, knowing and intending that the same would in consequence be omitted from the Cash Book, as was the case. The defendant was indicted at the Central Criminal Court under Section 1 of the Falsification of Accounts Act, 1875, for omitting, or concurring in omitting, material particulars from the Cash Book, and convicted. The questions were raised in the Court of Crown Cases Reserved whether the defendant could rightly be convicted on such grounds, and whether there was jurisdiction to try the case, since the offence was not committed in England. A Court of five Judges affirmed the conviction and the jurisdiction. But Kennedy, J., and Channell, J., both felt a doubt whether it could be said that the mere fact that the defendant's incorrect communication resulted in an omission from the Cash Book brought him within the language of the statute. The question of intention, however, came in, and the defendant undoubtedly intended to cause the omission to be made, and in fact caused the omission. Therefore the Court unanimously affirmed the conviction.

In the case of *The King v. Palin* ([1906] 1 K.B. 7) the prisoner, a servant, was convicted under Section 1 of the Falsification of Accounts Act, 1875, on an indictment which charged him with making a false entry in an account. The evidence at the trial showed that the account in question did not belong to and was not in the possession of the prisoner's employer. The Court of Crown Cases Reserved held that the conviction must be quashed, since the intention of the Legislature, as manifested in the preamble to the Act of 1875, was to punish the falsification by clerks, officers, servants, or others, of their employers' accounts. This decision altered what was supposed to be the law. In Archbold's Criminal Pleading, 23rd Edition, p. 592, it is pointed out that the document or account in which the false entry was made need not belong to or be in the possession of the employer. This statement is now no longer law. But it must be noticed that Section 83 of the Larceny Act, 1861 (24 & 25 Vict. c. 96), which deals with the destruction, alteration, mutilation, or falsification of the books, &c., belonging to a body corporate or public company, makes it an offence to "make, or concur in the "making of, any false entry, or omit or concur in omitting "any material particular, in any book of account or other "document." In the case of *The King v. Palin* (*ubi sup.*) the question was raised whether this provision was general in its application, or only applied to the special case the subject of the section. It was clear that the section did not apply to *Palin's* case, and Lord Alverstone, C.J., said: "I "express no opinion as to the wording of Section 83 of the "Larceny Act, or whether that section requires that the "documents therein mentioned should be the property of "the company or not."

The Prevention of Corruption Act, 1906 (6 Edw. VII., c. 34), deals with the question of falsification of accounts. It enacts (Section 1) that "if any person knowingly gives "to any agent, or if any agent knowingly uses with intent "to deceive his principal, any receipt, *account*, or other "document in respect of which the principal is interested, "and which contains any statement which is false or "erroneous or defective in any material particular, and "which to his knowledge is intended to mislead the prin-"cipal; he shall be guilty of a misdemeanour, and shall be "liable on conviction on indictment to imprisonment, with "or without hard labour, for a term not exceeding two "years, or to a fine not exceeding five hundred pounds, or "to both such imprisonment and such fine, or on summary "conviction to imprisonment, with or without hard "labour, for a term not exceeding four months, or to a fine "not exceeding fifty pounds, or to both such imprison-"ment and such fine." It will be observed that this enactment exactly meets the doubt expressed by Kennedy and Channell, JJ., in the case of *The King v. Oliphant* (*supra*) as to whether an incorrect communication from an agent resulting in an omission from a book of accounts brings the agent within the mischief dealt with by the Falsification of Accounts Act, 1875. The Prevention of Corruption Act, 1906, certainly meets this case and supplies very adequate penalties. The Act, in fact, makes the law for the detection and punishment of falsification of accounts practically complete. It would be difficult to find any loophole by which a guilty person could escape.

The case of *King v. Drewett* (21 *Times* Reports, [1905] 164) must finally be noticed. In this case "the manageress

"of an hotel, which was owned by a limited company, was "charged with omitting to enter in the Cash Book a certain "sum received from a customer for the company with "intent to defraud, and also with making a false entry in "the book. The manageress alleged that she had, "unknown to her employers, introduced into the business "private moneys of her own, and, in order to repay herself "without their knowledge, she had omitted to enter the "sum. The Judge told the jury (*inter alia*) that even if "they believed the story told by the prisoner it would be "no defence." The Court of Crown Cases Reserved, on a case stated, held that this was a wrong direction upon the question of intent to defraud, as the prisoner might have acted honestly, though ignorantly, and the question of fraud was for the jury. The Lord Chief Justice in his judgment stated that under the Falsification of Accounts Act, 1875, it was necessary to show not only false entries in the book, but that they were made with intent to defraud. Mr. Justice Wills added that the question of honesty was one for the jury, and they must say whether there was a question of fraud or not. Consequently the conviction was quashed, on the ground of wrong direction upon the question of intent to defraud, which was one for the jury to decide. This case, it should be noted, was decided before the Prevention of Corruption Act, 1906, came into operation.

In conclusion, I may say that the Rules of the Supreme Court referred to at length above are intended to apply generally to all cases of account, whether they arise in the particular classes of cases with which I have dealt, or in other classes—such as questions of copyright (where the account is limited to net profits made and received: see "Copinger's Law of Copyright" (1904), 4th Ed., pp. 224-6, 816, and *Muddock v. Blackwood* ([1898] 1 Ch. 58), designs, bankruptcy, winding-up of companies (see as to company accounts the case of *Newton v. Birmingham Small Arms Co., Lim.* [1906] 2 Ch. 378), or other matters. The rules and orders, and the statutes and cases above quoted, contain the general principles of equity which the English Courts apply to the solution of the many difficult questions of account that almost daily arise for consideration.

J. E. G. DE MONTMORENCY.

APPENDIX "B."

MISCELLANEOUS QUESTIONS ON ACCOUNTING.

APPENDIX B.

MISCELLANEOUS QUESTIONS ON ACCOUNTING.

1.—From the following Trial Balance prepare Balance Sheet and Trading and Profit and Loss Accounts, as on 30th June 1907, of the business of W. Walker, silversmith and manufacturer:—

	£	£
Bills Payable		2,600
Rents from sub-Lettings		190
Incidental Expenses	500	
Withdrawals	1,650	
Wages..	17,540	
Salaries	3,005	
Travelling Expenses	1,430	
Rent, Rates, and Taxes	1,850	
Insurance	90	
Advertising	650	
Commission	245	
Discounts and Allowances	700	
Bank Interest and charges	150	
Silverton Bank overdraft		950
Packing, &c.	350	
Sales		70,395
Goods Purchases	10,540	
Plating and Sundry Expenses	7,650	
Bad Debts	260	
Cash in hand	105	
Sundry Debtors	20,250	
,, Creditors		2,300
Stock, 30th June 1906	9,560	
Bills Receivable	5 570	
Plant, Machinery, and Tools..	4,250	
Capital ..		9,910
	£86,345	£86,345

Stock at June 30th 1907, £8,350.

Depreciation of Plant, &c., 5 per cent.

2.—Prepare Trading and Profit and Loss Accounts and Balance Sheet from the following Trial Balance at 30th June 1907 of the Pottery Company, Lim. Nominal Capital £10,000 in £10 Shares:—

	£	£
Subscribed Capital 900 Shares fully called		9,000
Calls in arrear	200	
Land and Buildings	2,000	
Machinery and Plant	2,500	
Loose Tools, &c.	500	
Horses, Carts, &c.	300	

2.—(*continued*)

		£	£
Stock-in-Trade, 30th June 1906:—			
Earthenware	£1,000		
Cratewood, Packing, &c.	250		
Clay	1,000		
Coal and Sundries	250		
		2,500	
Profit and Loss Account			200
Debtors		3,000	
Creditors			1,000
Sales			12,000
Packing, &c.			1,000
Straw, Cratewood, &c.		600	
Coal, Coke, &c.		300	
Clay		2,500	
Wages		6,500	
Horse and Cart Expenses		300	
Carriage, &c.		500	
Repairing and Replacing Plant		150	
" " Loose Tools		50	
" " Buildings		100	
Rates and Taxes		50	
Gas and Water		50	
Bills Payable			800
" Receivable		1,200	
Incidental Expenses		200	
Bank		450	
Cash in hand		50	
		£24,000	£24,000

Stock-in-Trade 30th June 1907 was—Earthenware, £800; Cratewood, &c., £200; Clay £800; Coal, &c., £200.

Write off Depreciations—Machinery and Plant, 5 per cent.; Land and Buildings, 2½ per cent.; Tools, &c., 5 per cent.; provision for Bad Debts and Discounts, 5 per cent. off Debtors.

3.—Prepare Trading Account, Profit and Loss Account, and Balance Sheet for the year ended 31st December 1906 from the following Trial Balance of the books of Messrs. John Williamson & Company, Lim., manufacturers:—

	£	£
Nominal Capital, 100,000 Shares of £1 each		
Issued Capital (fully paid)		70,000
Freehold Land and Buildings	35,000	
Debentures		20,000
Machinery and Plant	27,000	
Loose Tools	1,000	
Stock at 1st January 1906	17,500	
Material Bought	23,750	
Wages	9,000	
Office Salaries and Travellers	2,500	
Coal and Coke	1,300	
Rates and Taxes	430	
Discounts	820	
Blankshire Banking Company, Lim.	3,500	
Sundry Debtors	6,800	
" Creditors		2,070
Cash in hand	90	
Bad Debts	125	
Sales		53,000
Returns	1,880	
Repairs	405	
Interest on Debentures	800	
Patents (Cost)	13,170	
	£145,070	£145,070

Write off Depreciation on Patents and Machinery at 5 per cent. per annum, and on Loose Tools at 12½ per cent. per annum. Provide 5 per cent. on the Book Debts to cover Bad Debts. The Stock at 31st December 1906 amounted to £16,350.

4.—From the following Trial Balance of a Manufacturing Company prepare a Trading Account, Profit and Loss Account, and Balance Sheet at December 31st 1906:—

	£	s	d	£	s	d
Capital Paid up—10,000 Shares at £10				100,000	0	0
Stock, January 1st 1906	32,400	12	6			
Cash in hand	120	6	0			
Bank..	4,208	14	0			
Purchases and Sales	52,365	17	0	136,590	10	0
Manufacturing Charges	11,575	0	0			
Wages	28,555	4	0			
Salaries	1,525	0	0			
Sale Expenses	6,860	0	0			
Rates and Taxes	222	0	0			
Insurance	190	0	0			
General Expenses	2,640	10	0			
Discount	2,473	0	0	579	0	0
Bad Debts	575	0	0			
Interest and Bank Charges..	387	17	6			
Land and Buildings	22,300	0	0			
Machinery and Plant	37,960	0	0			
Debtors and Creditors	52,640	0	0	20,862	4	6
Patents	7,700	0	0			
Bad Debts Reserve				888	0	0
Profit and Loss—Balance December 31st 1905				779	6	6
Reserve Fund				5,000	0	0
	£264,699	1	0	£264,699	1	0

Charge Depreciation on Buildings at 3 per cent. per annum, on Machinery at 6 per cent.; credit to Bad Debts Reserve ½ per cent. on Sales, £136,600; write down Patents by 10 per cent.; carry forward £90 of Insurance; reserve 1½ per cent. Discount on Debtors. The value of Stock at December 31st 1906 is £22,600 18s. Charge 10 per cent. on Net Profits as remuneration to Managing Director, £500 as Directors' Fees.

5.—What is the use of keeping separate Trading Accounts for different departments (*a*) in a Merchant's or Dealer's business, (*b*) in a Manufacturer's business? How should expenses be dealt with which cannot be specifically allocated to any particular department?

6.—A small retail tradesman tries to reckon the profits he makes in a year by comparing his position at the end of the year with what it was at the beginning of the year, and he finds that in his business banking account the balance is larger by £100 at the end of the year than at the beginning. If from this he imagines that he has made £100 profit in the year, what important items has he omitted which should be taken into account in order to get at the correct profits in this way? Explain how each item affects the result.

7.—From the following Trial Balance prepare departmental Trading Accounts, General Profit and Loss Account, and Balance Sheet:—

TRIAL BALANCE, 30th September 1907.

	£	£
William Blackley, Capital Account		15,000
,, Drawing Account	3,000	
Sundry Debtors	1,200	
,, Creditors		3,000
Business Premises	5,000	
Furniture and Fittings	4,000	
Bank		1,700
Cash	300	
Stock-in-Trade 31st March 1907—		
Department A	2,000	
,, B	4,000	
,, C	3,000	
Purchases—		
Department A	5,800	
,, B	4,000	
,, C	5,000	
Wages, Department A	1,000	
Sales—		
Department A		8,000
,, B		5,000
,, C		7,000
Salaries	700	
Trade Expenses	300	
Rent, Rates, &c.	500	
Discounts		300
Bad Debts	200	
	£40,000	£40,000

The Stock on 30th September 1907 was—Department A, £2,000; Department B, £6,000; Department C, £2,000. Provide for depreciation of Furniture, £100; Doubtful Debts, £100; outstanding Rent, £150.

8.—What constitutes Capital Expenditure? Would you be justified in certifying to the accuracy of Accounts where such expenditure appeared without making inquiry into the real character of such expenditure? Give your reasons.

9.—What do you mean by "Fixed Assets" and "Floating Assets" in a Balance Sheet? Give two or three examples. Without any instructions being given by the Articles of Association of a Company, is there any legal difference between them as to providing a Depreciation Fund for known waste prior to striking a credit balance of the Profit and Loss Account and paying a dividend?

10.—You find in your annual audit of an Investment Company that Debentures of another Company are included amongst the Assets at their face value, though purchased at a discount; that such discount has been considered as commission earned and so credited to the Profit and Loss Account, and included in a larger sum carried to Reserve from the credit balance of the Profit and Loss Account. What is your opinion of this transaction? What does it suggest? If it does not meet with your approval, how would you have recorded the transaction? What steps would you take to satisfy yourself as to the value placed upon the Debentures so purchased?

11.—A set of double-entry books includes a Sales Day Book, the separate items in which are posted direct to accounts in a Customers' Ledger, and the monthly totals of Sales are posted direct to a Sales Account in the Nominal Ledger, no Journal being used. Under these conditions state which of the following errors would throw out a Trial Balance of the books, and say whether the Debit or Credit total of the Balances would be made too much, or too little, by the error:—

(*a*) The Sales Day Book under-added.

(*b*) A sale to a customer entered in the Day Book and included in the Day Book additions but omitted to be posted to the customer's account.

(*c*) A sale made to a customer omitted from the Sales Day Book, and so not posted to the customer's account.

12.—Define (*a*) Capital Expenditure, (*b*) Revenue Expenditure, (*c*) Fixed Assets, (*d*) Floating Assets. Give one typical example of each in connection with any business with which you are acquainted.

13.—Explain fully the distinction between Capital and Revenue in connection with the Accounts of three different classes of undertakings. Explain the reasons for any difference that may be observable between the examples you select.

14.—Are there, in your opinion, any circumstances which would justify the addition to actual cost of any anticipated Profit, in the case of partially Manufactured Goods, or of an uncompleted Engineering Contract, or in similar cases?

15.—Give four examples of assets that are Fixed Assets in connection with some particular class of business, but generally Floating Assets. Give four examples of assets that are Floating Assets in connection with some particular class of business, but generally Fixed Assets. What is the proper basis of valuation for Fixed and Floating Assets respectively in a Balance Sheet?

16.—At a Meeting of Shareholders of a Company you, as Auditor, are asked to explain why you had signed the Balance Sheet when the items on the credit side were not saleable at the amounts placed against them. What would be the nature of your reply?

17.—An English Manufacturing Company, holding the whole of the Ordinary Stock of an American Company, bought up the Shares of another American Company, and re-sold them to the first-named American Company at a profit of £60,000. How should this amount be treated in the Balance Sheet of the English Company?

18.—A Manufacturer analyses his purchases under several different heads, such as Coal, Iron, Timber, &c., and wishes to know each year the actual amount *consumed in manufacture* under each head, instead of merely the amount *purchased*. How can he obtain this information? Why is it of more use to know what material has been consumed in manufacture than to know what has been purchased in any period?

19.—A Finance Company which has paid £90,000 for six Patents of equal value sold one of these Patents during the first year of its existence, and received as consideration for the sale 55,000 fully-paid Shares of £1 each in a subsidiary Company formed for the purpose of working the Patent.

In the second year the Finance Company sold the 55,000 Shares in the subsidiary Company for £30,000.

How would you, as Auditor, expect the 55,000 Shares or the proceeds of them to be treated in the Accounts of the Finance Company at the end of the first and second years respectively?

20.—Do you consider that interest paid on Capital during the construction of the works of a Dock or Railway Company should be charged to Capital, or how otherwise; and what are the views generally held to be sound on this subject?

21.—Explain shortly the difference between a system of Internal Check and a Professional Audit.

22.—Give six typical examples of Fraud, of which only four involve the abstraction of actual money, and explain shortly what means you would suggest to reduce the risk of loss under each of these headings to a minimum.

23.—Give a list of the principal points that have to be considered in devising a system of Internal Check, and show what particular class of error each of these precautions is designed to avoid or detect.

24.—A. Kinet received from W. Leaf, of Montreal, 550 barrels of fine Flour at 18s. per barrel. A. Kinet paid Freight, £22; Insurance, £5; Storage, £6. He sold 300 barrels at 26s., and 250 barrels at 25s. Write out the records of the transactions as they would appear in A. Kinet's books.

25.—On July 1 1907, A.—a merchant carrying on business in London—consigns to his agent at Hamburg 1,000 tons of Iron, which he invoices *pro formâ* at 55s. per ton. On September 1 he received from the consignees, B. and Co., an Account Sales, showing that the whole of the consignment had been sold, and realised 55,400 marks. B. & Co.'s Disbursements amounted to 1,250 marks, and their Commission was 2½ per cent. on the gross proceeds. Along with the Account Sales they remitted their Bill (at two months) for the amount due.

Show the necessary entries in A.'s books, assuming that the expenses paid by him in connection with the venture amounted to £100. Assume the average value of the mark to be 1s., but that on the date when the Bill became payable the exchange was 21 marks to the £ sterling.

26.—Walters & Co. consign a shipment of Goods to Roy & Co., their agents in Dublin, on 30th January 1907, and draw upon them at six months for £1,000. They discount the acceptance with their Bankers on February 15th 1907, paying £13 15s. for discounting. On 28th February 1907 Roy & Co. advise that they have paid £33 for freight and landing charges on the consignment. On 30th April 1907 Roy & Co. remit £500 on account of proceeds, and on the 28th July 1907 they intimate that the Gross Sales have amounted to £1,340, and enclose debit note for Commission at 2½ per cent. on that amount.

Walters & Co. take up Roy & Co.'s Acceptance at maturity.

Show, by means of Ledger Accounts, how the foregoing transactions should be recorded in Walter & Co.'s books.

27.—Define an "Account Current," and make out such an account for North & Co. in respect of the following transactions with East & Co.:—

1906.	Sept.	16th.	Goods sold to E. & Co., £100, due October 1st.
	Oct.	1st.	Received Cash from E. & Co., £45.
	,,	21st.	Goods bought of E. & Co., £250, due December 1st.
	Nov.	1st.	Paid to E. & Co., cash £165.
	Dec.	1st.	,, ,, £150.
	,,	5th.	Goods bought of E. & Co., £250, due January 1st.
	,,	10th.	,, ,, £110, ,,
1907.	Jan.	1st.	Paid cash to E. & Co., £300.
	,,	9th.	Goods sold to E. & Co., £80, due February 1st.

The account to be made up to 1st February 1907. Interest to be at 6 per cent., which may be calculated by months instead of days.

28.—On January 20th 1907 Henry Brown forwarded to Thos. White & Co. on consignment 20 chests of Indigo at £60, paying £10 10s. for freight. On 15th April 1907 he receives an Account Sales, dated 18th March 1907, showing that the Goods realised £1,381 5s., and that the following expenses had been incurred:—

Dock Dues and Insurance	£6	4	5
Cartage	2	10	0
Storage	2	5	0
Del Credere at 1½ per cent.			
Commission at 2 per cent.			

and enclosing a Bill at three months for the balance.

(1) Show the entries in Brown's books.

(2) Do. do. White & Co.'s books.

(3) Do. Account Sales.

29.—A receives on account of B. the following:—

January 1st	£100
February 1st	200
March 1st	500

He pays on account of B.:—

February 1st	£50
April 1st	200

Make up an Account Current to 30th June, charging Interest at 5 per cent.

30.—On the 1st January 1907 a Firm possessed the following assets:—

Buildings	£3,000
Plant and Machinery	2,000
Stock-in-Trade	2,000
Book Debts	2,500
Cash	500
	£10,000

The Book Debts were made up as follows:—

A.	£300
B.	400
C.	100
D.	500
E.	200
F.	300
G.	200
H.	500
	£2,500

30.—(*continued*)

The Creditors were made up as follows:—

I.	£1,000
J.	500
K.	200
L.	800
M.	500
	£3,000

The Capital of the firm belonged in equal shares to the partners X. and Y. During the month of January the following transactions occurred:—

Sales.

A.	£100
B.	50
C.	200
D.	300
E.	200
F.	50
G.	100
H.	300
	£1,300

Purchases.

I.	£200
J.	700
K.	100
L.	500
M.	200
	£1,700

Cash Received.

A.	£200
B.	400
D.	500
F.	200
G.	200
H.	500
	£2,000

Cash Paid.

I.	£500
J.	500
K.	200
L.	300
M.	300
	£1,800
General Expenses	300
X.	100
Y.	100
	£2,300

You are required to record these transactions in Sold Ledger, Bought Ledger, and General Ledger, making each self-balancing. Take out a Trial Balance of each Ledger, and close the books as on 31st January 1907, taking the Stock-in-trade at that date at £3,500, reserving £200 for outstanding Trade Expenses, and £100 for possible loss on Doubtful Debts. Provide for Depreciation of Plant and Machinery at 12 per cent. per annum.

31.—In the Trial Balance of a merchant's books, which are so arranged that the Bought and Sold Ledgers can be balanced separately, the debits exceed the credits by the sum of £2 3s. 6d. What would you suggest as the most likely explanation of the difference, and what steps would you take to find it?

32.—Does the fact that books are balanced indicate their absolute correctness? Give your views on the following Ledger Balances, each consisting of one item as stated below:—

		£	s	d
E. White Account, "To Cash in full"	Dr.	74	0	0
P. Bull Account, "To Remittance"	"	63	0	0
O. Brown Account, "By Cash"	Cr.	91	3	6
Great Western Railway Account, "By Freight overcharged"	"	24	10	0

33.—From books kept by Single-entry you extract the following as at 30th June 1907:—

	£	s	d
Capital	3,850	0	0
Due from Customers	6,970	0	0
Cash in hand	54	0	0
Stocks (as per Stock Sheets)	2,790	0	0
Fixtures, Fittings, and Utensils	570	0	0
Creditors	2,760	0	0
Bank Overdraft..	970	0	0
Bills Payable	340	0	0
Goods supplied to Private Residence	260	0	0

The amount of the Capital above-mentioned you find to be the balance after the sums of £300 for Drawings and £250 for Salary have been debited.

Prepare an Account showing the Profit earned during the year ended 30th June 1907.

34.—On the 1st of October 1906, A., a merchant carrying on business in Glasgow, consigns to his agent in New York 1,000 tons of Iron, which he invoices *pro formâ* at 50s. per ton. On the 1st of December he receives from the consignees, B. & Co., an Account Sales, showing that 200 tons have been sold at 14 dols., 250 tons at 14.20 dols., 150 tons at 14.25 dols., and 400 tons at 14.50 dols. B. & Co. deduct their Commission of 2 per cent., and remit a three months' bill in dols. for the balance. (*a*) Show the necessary entries in A.'s books, assuming that the cost of freight, &c., amounted to £150. For facility of calculation it may be assumed that the average value of the dollar is 4s. 2d., but that on the date the bill was paid the rate of exchange was 5 dols. to the £. (*b*) Show the entries necessary to record the transactions in B. & Co.'s Ledger, assuming that the goods consigned were sold to four different customers and paid for by them in cash at one month.

35.—In the case of a large Manufacturing Company, with a Factory and numerous Branches for the sale of its products, the Head Office is at the Factory, whence goods (at cost) are issued and delivered to the Branches. In the Balance Sheet of the Company you find that, after due adjustment of the sales and working expenses of each Branch, the debit balances then remaining against such Branches are included in the item "Sundry Debtors." Is this correct? State your reasons.

36.—Explain how the books of a Branch business may be kept independently of the Head Office books, and yet in such a manner that the records may at any convenient time be included in the Head Office books. Illustrate your answer with a *pro formâ* Trial Balance of a Branch, and show the Journal entries necessary to close the books both of the Branch and Head Office.

37.—A manufacturing business which has several Branches through which it sells its productions keeps the books and accounts of the Branches at a Head Office, instead of keeping them at the Branches themselves. Give reasons for and against this arrangement.

38.—The "A." Company, Lim., carries on business in Birmingham and London, the former being its headquarters. On December 31st 1906 the London Branch submits the following Trial Balance to headquarters:—

LONDON TRIAL BALANCE, December 31st 1906.

	Dr.	*Cr.*
Head Office		£5,000
Remittance Account	£2,000	
Sold Ledger Account	2,000	
Stock, December 31st 1905	2,500	
Gross Profit		4,000
Rent	300	
General Expenses..	500	
Cash at Bank	1,200	
Office Furniture	300	
Bad Debts	200	
	£9,000	£9,000

38.—(*continued*)

On the same date the Head Office books showed the following position:—

HEAD OFFICE TRIAL BALANCE, December 31st 1906.

	Dr.	Cr.
Branch Account ..	£5,000	
Remittance Account		£2,000
Sales ..		12,000
Stock, January 1 1906	4,000	
Wages ..	4,500	
Materials	2,500	
General Expenses ..	1,000	
Business Premises ..	1,200	
Plant and Machinery	1,800	
Cash at Bank	500	
Reserve Fund		1,500
Capital Account		5,000
	£20,500	£20,500

The Stock on December 31st 1906 was £3,600.

You are required to incorporate the Branch transactions in the Head Office books, and close the latter as on December 31st 1906. Provide for Depreciation of Plant and Machinery at 10 per cent. per annum.

39.—The Anglo-French Bottle Company, Lim., sells in this country glass-ware exclusively purchased from manufacturers abroad, who invoice their goods to the Company in their own currency. Explain fully how you would deal in the Company's books with the record of Purchases, and the subsequent payment of trade creditors' claims.

40.—In the case of a trading concern having numerous retail Branches, each supplied with goods from the Head Office, which are invoiced to the Branches at selling-price, state how you would close the books of the Branches at balancing time, and how you would incorporate the Branch transactions in the Head Office books so that the latter might show completely and in sufficient detail the results of the undertaking as a whole. What special adjustments would be necessary in the Head Office books under the circumstances stated?

41.—On the 31st December 1906 the Trial Balance of the books kept at the Head Office of the Commercial Colliery Company, Lim., was as follows:—

TRIAL BALANCE, 31st December 1906.

	Dr.	Cr.
Subscribed Capital, 160,000 Shares of £1 each		£160,000
Colliery Account ..	£160,000	
Remittance Account		8,000
Sundry Debtors	5,000	
Reserve Fund		2,000
Transfer Fees		100
Office Expenses	500	
Directors' Fees	300	
Cash at Bank	3,500	
Profit and Loss Account		700
Interest ..		75
Sundry Creditors ..		425
Consols ..	2,000	
	£171,300	£171,300

The books at the Colliery are balanced up to the same date, and the following Trial Balance is in due course despatched to the Head Office:—

41.—(*continued*)

TRIAL BALANCE, 31st December 1906.

	Dr.	Cr.
Head Office Account		£160,000
Remittance Account	£8,000	
Capital Expenditure to 31st December 1905	150 000	
Additional Capital Expenditure during 1906	20,000	
Reserve for Depreciation		15,000
Wages	35,000	
Stores Consumed..	5 000	
Stocks and Stores on hand, 31st December 1906	2 500	
Trade Creditors		1,500
Creditors for Rents, Royalties, &c.		500
Redeemable Dead Rents	400	
Miscellaneous Colliery Expenses	2,000	
Royalties	1,500	
Cash in hand	100	
Depreciation	2,500	
Coal Sales		50,000
	£227,000	£227,000

You are required to show (*a*) Journal entries incorporating the Branch figures in the Head Office books; (*b*) the Accounts of the Company for the year ended 31st December 1906, as they would be submitted to the Shareholders, assuming them to be framed on the Double-Account System.

42.—A South Wales provision merchant has several Branches which are supplied from the Head Office. Each Branch has its own Sales Ledger, and hands over the total amount of the cash received to the Head Office every day. In the invoices for the Goods supplied by the Head Office to the Branches, 25 per cent. is added to the cost. All expenses are paid from the Head Office.

From the following particulars of the transactions of the Branches, raise the Ledger Accounts in the Head Office books, and prepare Accounts showing the Gross Profit of each Branch:—

	Cardiff	Newport	Bridgend
Goods received from Head Office	£5 500	£4 500	£3,500
Total Sales	5,200	4,300	3,100
Cash Sales	2,750	2,250	1,650
,, Received on Ledger Accounts	2,250	1,850	1,250
Debtors at commencement	1,555	1,665	1,350
,, Close..	1,755	1,865	1,550
Stock at commencement	750	650	450
,, Close	1,060	960	760

43.—A Limited Company has a branch establishment at Brighton. On 31st December 1906 the following Trial Balance of the Branch Books is forwarded to the Head Office:—

TRIAL BALANCE, 31st December 1906.

Head Office		£2,400
Remittances	£1,200	
Sold Ledger	1,500	
Bought Ledger		500
Stock, 1st January 1906	2,000	
Purchases	6 500	
Sales		10,200
Rent	400	
Salaries..	600	
Trade Expenses	500	
Bank	400	
	£13,100	£13,100

The Stock in hand on 31st December 1906 was £1,700. You are required to incorporate those transactions in the Head Office books, showing Branch Account and Branch Trading and Profit and Loss Accounts in the Head Office Ledger; also Branch Balance Sheet.

44.—

TRIAL BALANCE, 31st December 1906.

	Rs.	Rs.
Head Office		84,000
Premises	50,000	
Fixtures	2,500	
Stock	25,000	
Debtors	75,000	
Bills Receivable	5,000	
Cash	12,500	
Creditors		60,000
Remittance Account	50,000	
Rent	2,000	
Bad Debts	5,000	
Salaries	12,000	
General Expenses	10,000	
Discounts		5,000
Sales		300,000
Purchases	200,000	
	449,000	449,000

Stock on December 31st 1906, 20,000 Rs.

Depreciation of Premises at 5 per cent.

Taking the above Trial Balance you are required—

(*a*) To close the Branch books and compile the usual Balance Sheet, Trading and Profit and Loss Accounts in rupees.

(*b*) To incorporate the Branch Trial Balance in the Head Office Books, and close the latter, the Head Office Trial Balance being as follows:—

TRIAL BALANCE, 31st December 1906.

Capital		£5,000
Branch Account	£6,100	
Remittance Account		3,300
Debentures		2,500
Cash	3,900	
Office Expenses	1,000	
Profit and Loss Account		200
	£11,000	£11,000

	s	d
Average Rate of Exchange ...	1	4
Rate 31st December 1905 ...	1	3½
" " 1906 ...	1	4½

(*c*) To show the Balance Sheet and Profit and Loss Accounts in the Head Office books, assuming that the rupee is to be converted at the uniform rate of 1s. 4d. for all Personal and Nominal Accounts.

45.—Explain shortly what you mean by the exchange value of a foreign currency, and why it varies from time to time.

46.—State how you would deal with a foreign currency when recording Consignment transactions (*a*) in the books of the Consignor, (*b*) in the books of the Consignee.

47.—Illustrate, by means of a short example, how you would record in the books of an English house the purchase of Goods from abroad in a foreign currency, and their subsequent payment in sterling.

48.—Illustrate how you would record, in the books of an English house, the sale of Goods to customers abroad, and the payment for such Goods by them in a foreign currency.

49.—What, in your opinion, would be the best method of dealing with Profit or Loss on exchange in the case of a London Company having its trading centre in South America? Illustrate your method, and state whether it would apply alike to Capital and Revenue items.

50.—Explain quite shortly the effect of a fall in the exchange value of the Rupee on each of the following:—

(*a*) An English Company carrying on a general trading business in India.

(*b*) An English Company owning a Railway in India.

(*c*) An Anglo-Indian Bank.

Confine your answer to the effect that the variation in exchange should have on the published Accounts.

51.—Explain shortly what you understand by the Tabular System of Bookkeeping, and show, by means of *pro formâ* rulings, the application of this system (*a*) to a Ledger, (*b*) to a book of first entry.

52.—For what purposes does a Manufacturer require to keep a Stores Account? Describe a simple system upon which such Accounts may be kept.

53.—How may a Trader approximately arrive at his Net Profit without taking Stock?

54.—J. L. and W. D. enter into what may be termed a Limited Partnership for the purpose of buying at sales any railway rolling-stock or machinery which could be obtained at a price cheap enough for a speculation, and sharing the risk—this being quite apart from their own proper businesses, in which they have no connection with each other. Sometimes one buys, sometimes the other, but Disbursements and Sales are made indifferently, including the receipt of money, on account of the Sales. There is no joint fund or bank account, and each works the individual transaction through his own business. The following transactions are recorded, and you are required to raise accounts for both parties, and show the completion and agreeement of same, including the equal division of profit and loss, and the balance carried to a general accou Five per cent. per annum on all cash received or paid.

Jan.	1.	J. L.	buys Locomotive for £500.
,,	12.	,,	pays cost of Transit, £10.
Mar.	16.	W. D.	,, Rent for same, £1 6s. 8d.
,,	18.	,,	,, Insurance, 10s.
June	1.	,,	,, Repairs, £10.
,,	30.	,,	sells Locomotive for £560.
July	2.	,,	buys 500 tons Rails at £3 per ton.
,,	30.	J. L.	pays Freight and Landing Charges, £25.
Aug.	30.	,,	,, Rent, £2 5s.
Sept.	1.	W. D.	sells 500 tons Rails at £3 5s. per ton.
,,	6.	J. L.	buys two Cranes, £50 each.
,,	12.	,,	sells same for £108.

Show how affairs stand on October 1st.

55.—A., B., and C. agree to purchase a business in New York and carry it on for a stated period. A. invested 4,000 dollars, B. 25,000 dollars, and C. 20,000 dollars. The Partnership Agreement provided that they should share profits and losses in the proportion of A. 5, B. 3, C. 1. At the end of the term the Balance Sheet was as follows:—

Liabilities.			*Assets.*	
Creditors—			Cash	$500.00
Trade Accounts		$69 000.00	Debts Receivable	68,000.00
Loan		16,000.00	Stock of Goods, as per Inventory ..	47,000.00
Partners' Capital—			Machinery and Plant	35,000 00
A.	$47,500.00		Shares and Bonds, at market price ..	22,000 00
B.	30,000 00			
C.	10,000 00			
		87,500 00		
		$172,500.00		$172 500 00

The business was sold and the Assets realised 140,000 dollars gross. The Costs and Expenses of the sale amounted to 5,000 dollars. Show the final accounts of the Partners, and convert the balance of each account into sterling, the rate of exchange being 4·80.

56.—P., Q., and R. have dissolved partnership, and, after realising all their assets, they find that they have for division the sum of £12,000. The Capital Accounts of the respective Partners at the dissolution were in credit, P. £4,000, Q. £3,000, R. £2,000. P. has advanced to the firm £500 apart from his Capital, and this had not been discharged. The Trade Creditors amount to £5,500. The Articles of Partnership provide that profits and losses shall be shared equally by the Partners. Show how the £12,000 should be distributed.

57.—A., B., and C. were Partners, and advanced the following Capital:—A. £4,000, B. £3,000, C. £2,000. Profits and losses were to be borne equally. At the end of the first twelve months each Partner had drawn £500. The Assets were then disposed of for £1,500, the purchaser discharging all the liabilities of the firm. How should this sum be apportioned among the Partners, and would any Partner or Partners have to advance any further sum? If so, state which Partner and how much, and prepare the necessary accounts showing the results.

58.—On the 1st July 1907 A. took B. into partnership. A. had the following assets:—

Leasehold Premises	£500
Stock-in-Trade..	800
Book Debts	700
Cash at Bank	100

His liabilities (including £200 on Bills Payable) amounted in all to £800. B. brings in £1,500 in cash, and it is agreed that £500 of this shall be credited to A. as representing the price to be paid by B. for a half-share of Profits.

Open the books of the new firm by means of Journal entries, and show the Balance Sheet at the commencement of the Partnership.

59.—A., who is about to retire, is desirous of selling his business as a going concern. B. is willing to purchase the outstanding Assets at a fair valuation, but A. requires in addition the sum of £2,000 for the Goodwill of the business.

State, as fully as you can, the inquiries that B. ought to make before agreeing to purchase the Goodwill at this price.

60.—The London Engineering Company, Lim., acquires on April 1st 1907, from William Brown, the following property:—

Stock-in-Trade	£10,000
Machinery	20,000
Freehold Buildings	47,500
Goodwill	22,500
	£100,000

Payment is made on the same day as follows:—

Cash	£20,000
Debentures..	50,000
Preference Shares	10,000
Ordinary Shares	20,000
	£100,000

You are required to explain how the above arrangement may be carried into effect, and what entries should be made in the books of the Company.

61.—A Company is about to apply for leave to reduce its Capital so as to wipe off past losses. The Directors suggest that a further sum should at the same time be written off its Plant and Machinery, so as to anticipate and provide for ordinary Depreciation, and thus for some years save this charge on Profit and Loss. Is this proposal sound? State reasons for your opinion.

62.—A Railway Company divides its Ordinary Stock into Preferred Stock (with a fixed percentage of interest) and Deferred Stock, giving to each holder of £100 Ordinary Stock £100 Preferred Stock and £100 Deferred Stock. The operation not involving any cash receipts, how would you expect to find the conversion dealt with in the accounts of the Company? What authority would the Company require for the operation? What are the advantages and disadvantages of such procedure?

63.—On the 31st December 1906 the Assets of Arthur Jones appear in his books as follows:—

Freehold Premises	£2,000
Goodwill	1,500
Plant, Fixtures, &c.	750
Bills Receivable	550
Stock-in-Trade	2,500
Book Debts	2,000
Cash at Bank	700

His Creditors amount to £1,500. Jones decides to convert his business into a small Limited Company, with a nominal Capital of £12,000, divided into 12,000 Shares of £1 each, of which he agrees to accept 10,000 Shares, issued as fully-paid, as purchase consideration for his business, the Company taking over his liabilities. The remaining 2,000 Shares are issued to friends of Jones for cash, payable 5s. on Application, 5s. on Allotment, and the balance one month after Allotment. The purchase is completed, and the allotment takes place on the 8th January 1907.

Show the opening entries in the Journal of the new Company.

64.—On the 1st January 1907 a Company was registered under the name of Jones Bros., Lim., with a nominal capital of £25,000, to take over as a going concern the business formerly carried on by John and James Jones in partnership. The books of the firm had been balanced up to the 30th September 1906 when the position was as follows:—

BALANCE SHEET, 30th September 1906.

Liabilities.		*Assets.*	
John Jones—		Business Premises	£3,000
Capital Account..	£12,000	Stock	10,000
James Jones—		Debtors	10,000
Capital Account..	10,000	Cash	2,000
Trade Creditors	3,000		
	£25,000		£25,000

It was arranged that the purchase-price should be fixed at £25,000, payable £7 in Cash and the balance in fully-paid Shares. Only 7 Shares were issued for Cash—namely, to the signatories to the Memorandum of Association, and these were duly paid for on the 1st January 1907 when the completion took place.

Your are required to show, in the form of Journal entries, how these transactions should be recorded in the books of the Company.

65.—John and James Jones, who are referred to in the preceding question, were equal Partners in the firm of Jones Bros.

You are required to show how the books of the firm would be closed on the sale of the business to a Limited Company, and how much each Partner is then entitled to receive.

66.—In April 1907 it is ascertained that the profits of Jones Bros., Lim. (*vide* Question 64), for the six months ended the 31st March have amounted to not less than £3,000.

State what interim dividend you consider the Directors would be justified in declaring, giving reasons for your reply.

67.—The Nominal Capital of the X. Y. Z. Company, Lim., is £250,000, divided into 250,000 Shares of £1 each. Of these 200,000 Shares have been issued at a premium of 2s. 6d. per Share. 15s. per share has been called up, and the sum actually received from Shareholders (irrespective of premiums) amounts to £149,950. 100 Shares have, however, been forfeited for non-payment of Calls after 5s. per Share had been received thereon. State how the Capital Account of the Company should be shown on its Balance Sheet.

68.—On the 31st December 1906 the Accounts of a Limited Company showed a credit balance on Profit and Loss Account of £5,500. It was decided not to declare any dividend, but to apply these profits in the redemption of an issue of £5,000 worth of Debentures, which the Company was then empowered to pay oft at 105.

You are required to show the Ledger Accounts affected by the carrying through of this transaction.

69.—The A. Company, Lim., invited applications for 100 5 per cent. Debenture Bonds of £100 each, issued at a discount of 5 per cent., payable £10 on application, £40 on allotment, and the balance one month after allotment. On the 12th April 1907 applications, accompanied by the prescribed deposit, are received as follows:—

B.	30	Debentures
C.	20	"
D.	10	"
E.	2	"
F.	50	"

On the following day Debentures were duly allotted to B., C., and F., in accordance with their applications. The further moneys due on allotment were received by the Company on the 15th April. D.'s and E.'s applications were declined and the deposits returned on the 14th April. On the 13th May the whole of the moneys then payable were received by the Company.

Show the Applications and Allotments Book recording the above transactions.

70.—Taking the facts as stated in the preceding question, make the necessary entries in the Journal and Cash Book, and post to the Ledger.

71.—The X. Company, Lim., had a Nominal Capital of £50,000, in Shares of £1 each, all issued and fully called-up, but 100 of these Shares had been forfeited for non-payment of a Final Call of 5s. per Share. On the 1st June 1905 these Shares were re-issued credited with 10s. per Share paid up, the balance being due on allotment and received by the Company on that day.

You are required to show the necessary Journal entries in connection with both forfeiture and re-issue, and the Ledger Accounts affected by these transactions.

72.—In the case of a Company having a large number of Shareholders and frequent dealings in the Shares, what means would you suggest for readily enabling errors in the posting of such transfers to be localised?

73.—A Company purchased a business as a going concern on January 1st 1907, with a right to the Profits from October 1st 1906.

Its Capital is:—

5 per cent. Preference Shares	£50,000
6 per cent. Preference Shares	50,000
Ordinary Shares	24,800

The year's Profits to September 30th 1907 are found to have been £7,664. What appropriation of such Profits would you consider to be correct?

74.—The London Engineering Company, Lim., invite subscriptions for 40,000 Preference Shares, being part of an issue of 50,000 such Shares of £1 each. The Subscription List closed on 25th March, when it was found that the following applications had been received, and the deposit of 2s. 6d. per Share thereon paid to the Company's bankers:—

	Shares.
A.	5,000
B.	10,000
C.	5,000
D.	2,000
E.	10,000
F.	10,000
G.	10,000

74.—(*continued*)

On the 1st April the Board allotted Shares as follows:—

A.	5,000
B.	10,000
C	5,000
E.	10,000
F.	5,000
G.	5,000

and intimated that a further 7s. 6d. per Share was payable on allotment.

You are required to show how the above would appear in the Applications and Allotments Book, and to explain what entries would be necessary in the financial books of the Company up to the point of sending out Allotment Letters and Letters of Regret.

75.—In the case of a Company which has issued Preference Shares carrying a cumulative dividend of 6 per cent., but which has not made any Profits for some years, how would you deal (if at all) with the arrears in a Balance Sheet of the Company?

76.—Journalise the following transactions of a Limited Company.

The Company was registered on the 1st January 1907, with a Nominal Capital of £40,000, divided into 40,000 Shares of £1 each, of which 20,000 were issued as fully-paid to the Vendor as part of the purchase consideration, 10,000 offered for subscription to provide Working Capital, 5s. per Share payable on Application, 5s. per Share on Allotment, and the remainder in two Calls of 5s. each. 10,000 Shares to be held in reserve for future issue. The Vendor also received £5,000 in 5 per cent. Debentures, the balance of the purchase consideration.

1907		
January	5.	Applications, accompanied by 5s. per Share, were received for 5,000 Shares.
,,	6.	Allotment made of 5,000 Shares.
,,	10.	Amount due on Allotment of 5,000 Shares received.
February	10.	First Call of 5s. per Share, made payable 24th inst.
,,	,,	20,000 fully-paid Shares, allotted to Vendor.
,,	,,	5 per cent. Debentures issued to Vendor for £5,000, balance of purchase-money.
,,	24.	Received on Account of First Call, £625.
,,	26.	Received Balance of First Call, £625.
March	10.	Second and Final Call of 5s. per Share, made payable on 24th inst.
,,	24.	Received on Account of Second and Final Call, £1,000.

77.—A private business, as carried on by John Smith, is converted on 1st January 1907 into a Limited Company under the title of "Smiths, Lim.," on the following terms:—The Company takes over the Cash and Bills in hand, but collects the Book Debts and discharges the Liabilities on behalf of the old firm; it also purchases the Stock for £1,500, the Plant for £3,000, and the Goodwill for £5,000.

The purchase-money is payable as to £5,000 in 5 per cent. Debentures, as to £5,000 in fully-paid Shares, and the balance in cash. The Balance Sheet of the business on 31st December 1906 was as under:—

JOHN SMITH.

BALANCE SHEET, 31st December 1906.

	£	s	d			£	s	d
To Sundry Creditors	3,000	0	0	By Cash in hand		650	0	0
,, John Smith—Capital Account ..	11,150	0	0	,, Bills Receivable in hand		900	0	0
				,, Sundry Debtors, as per list	£10,500			
				Less Reserve for Bad Debts	1,500			
						9,000	0	0
				,, Stock-in-Trade		1,600	0	0
				,, Plant		2,000	0	0
	£14,150	0	0			£14,150	0	0

77.—(*continued*)

The sums paid over by the Company in respect of Book Debts collected, over and above the amount used to pay off the Creditors, are as follows:—On 31st January, £2,000; 28th February, £2,000; on the 30th April an agreed sum of £1,350 in settlement of the balance and as purchase-money for the Book Debts then outstanding.

Show the Cash Book and Journal entries necessary to record the above transactions in the books of the new Company, open and post the Ledger Accounts, and take out a Trial Balance on the 30th April 1907.

78.—Write up the books of John Smith (*vide* preceding question) from 1st January to 30th April 1907, and close them at the latter date, and prepare a Balance Sheet.

79.—M. stands in the books of the X. Co., Lim., as the holder of 100 fully-paid Shares of £1 each. M. dies, and probate of his will is granted to N. What must N. do before he can deal with the Shares, and what record should appear in the books of the X. Co., Lim.

80.—In what way would you advise that Premiums on the issue of new Shares in a Limited Company should be dealt with? Give your reasons.

81.—On the 1st January 1907 a Company offers for subscription its Capital of £100,000, divided into 100,000 Shares of £1 each. The Shares are offered at a premium of 2s. 6d. per Share, the whole being payable 5s. on Application, 7s. 6d. on Allotment, and the remainder 10s. one month after allotment.

The whole of the Issue is applied for on the 2nd January, and the Company goes to allotment on January 8th.

Show the necessary entries in the financial books of the Company, assuming that all instalments of Capital are duly received.

82.—In the case of a prosperous undertaking (whose shares stand at considerably above par) having occasion to issue further Capital for purposes of development, state whether you consider it the most prudent course in the permanent interests of the Company to (*a*) offer the new shares *pro ratâ* to the old shareholders at par; or (*b*) issue them to the public at the highest premium obtainable.

83.—W. & H. Falk agree to purchase from E. Sloe, trustee of T. Williams, deceased, a small Engineering business, for the sum of £7,000. The Assets, as they appeared in the books, were:—

1.	Engine, Boiler, Fixed Plant and Machinery	£3,000
2.	Stock-in-Trade, comprising finished and unfinished Machines, Materials and Stores	2,500
3.	Loose Tools, Machines, and Office Furniture	1,000
4.	Pattern Models, &c.	650
5.	Book Debts	1,800
		£8 950

Messrs. Falk, in making their estimate of the value of the Assets, deducted the following percentages from the above items, namely:—(1) 25 per cent. (2) 20 per cent. (3) 10 per cent. (4) 50 per cent. (5) 10 per cent., being $2\frac{1}{2}$ per cent. for Discounts, and $7\frac{1}{2}$ per cent. for Bad Debts. They made a further deduction for expenses and contingencies, reducing the amount to £7,000, which was offered and accepted. On the 1st June 1907 the purchase was completed by the payment of £4,000; £2,500 being provided by W. Falk, and £1,500 by H. Falk, and for the balance W. and H. accepted three bills, each for £1,000, payable at three, six, and nine months respectively. Make the Journal entries for recording the above transactions.

84.—A. B. died on the 31st December 1906, leaving the following Estate:—

Cash in the House	£60
Cash at Bank	740
Household Furniture and effects, valued at	2,000
Consols, 2½ per cent., £5,000 valued at 89 (ex. div.)	
Freehold Property (in occupation of deceased at time of death) valued at	2,200
Leasehold Property, let at £200 per annum. Rent payable quarterly on 25th March, 24th June, 29th September, and 25th December, paid to 29th September 1906, valued at ..	2,500
£600 5 per cent. Debentures of the Charter Brewery, Lim., quoted at 31st December 1900, at £110 per cent. Interest payable half-yearly, 31st March and 30th September.	
£1,000 on deposit for 12 months, from 30th September 1906, with the Eastern Bank, at 4 per cent. per annum. Interest payable half-yearly, 31st March and 30th September.	
5,000 Shares of £1 each in the South Wales Gold Co., Lim., 10s. per Share paid and 5s. more called up; Call due 10th January 1907. No quotation for Shares, which are valued for Probate at £100.	
Sundry Debts owing to the deceased	750
Sundry Debts owing by the deceased	640

A. B. was a partner in a business at the time of his death; and upon the Accounts being made up it was found that he was entitled, in respect of his share of Profits, to £540, and as representing his Capital, to £5,000, but the Capital (£5,000) was to remain in the business, at 5 per cent. per annum interest.

The Funeral and Testamentary Expenses amounted to £100, and £800 was paid as Estate Duty.

The Income of the Estate to be paid quarterly to the Widow, who is to have the use of the Furniture and Freehold Premises for life.

Assume the receipt of the Debts owing to the deceased, and of the Income as and when it becomes due, and assume also the payment of the Liabilities and of the Income to the Widow. Ignore Income Tax.

You are required to write up the necessary Estate Accounts to the 30th June 1907, and to prepare a Balance Sheet as on that date.

85.—A. died on the 1st February 1904, leaving Cash in the House, £20; Balance at Bank, £500; 2½ per cent. Consols, £10,000 Stock at 87⅜-87⅝; Great Western Railway 4 per cent. Debentures, £10,000 Stock at 124-7; Freehold Property, valued at £4,000, producing £160 per annum, Rent paid to 25th December 1903. A.'s liabilities amounted to £650; the Funeral Expenses were £60. A. bequeathed a legacy of £50 to each of his Executors, B., his brother, and C., his wife's brother, and the residue in equal shares to his wife and his nephew D. Estate Duty was paid on the 1st May 1904, on which date the Funeral Expenses and the Debts Due at Death were also paid, as well as the Legacies to the Executors. The Consols were sold on the 30th May at 90⅛, the Great Western Railway Debentures on the same day at 130, the Freehold Property was sold for £4,100, and the completion took place on the 15th June, when £4,250 was received, which allowed for outstanding rents, &c. On the 30th June the residue was divided.

You are required to show the Accounts in the books of the Executorship recording the above transactions.

86.—A. died on January 31st 1907, leaving behind him the following property:—

£2,000 Consols, at 88⅝-⅞.

£1,000 Bank of Ireland Stock, at 337-342 x.d. (at 5⅝ per cent. for the half-year).

£1,000 New South Wales 4 per cent. Stock, at 105½-106½.

£1,000 Caledonian 4 per cent. Guaranteed Annuities, at 120-122 x.d.

You are required to state the amount at which each of these investments should be valued for purposes of Estate Duty.

87.—Taking the investments named in the preceding question, you are required to state exactly how you would deal in the Executorship Books with the first dividend received on each after the death of the Testator. A quarter's dividend on Consols is paid on April 5. A half-year's dividend on the Bank of Ireland Stock is paid on February 1, a half-year's dividend on the New South Wales Stock on July 1, a half-year's dividend on the Caledonian Stock on February 1. All dividends are subject to income tax at 1s. in the £.

88.—A Testator died December 31st 1906, leaving:—

Cash in the House, £30.
Consols, $2\frac{1}{2}$ per cent., £12,000, valued at $87\frac{3}{4}$ x. d.
Midland Railway Company's 4 per cent. Debentures, £16,000, valued at 101 x. d. Dividend due January 1st.
Iron and Steel Company, 100 Ordinary Shares of £10 each, valued at £5, but paying no dividend.
Balance at the Bankers, £650.

There was due to Testator £4,000 on mortgage at 4 per cent. interest, due yearly on March 31st. His Debts to Tradesmen amounted to £500. The residue of the Estate is bequeathed half to his Widow and half to a Brother. He bequeathed to his two Executors (strangers in blood) £100 each. The Funeral Expenses were £75. The Stocks were realised at the valuation prices, and the Mortgage was called in on March 31st, on which day Probate was applied for.

Draw a statement showing the residue on which Legacy Duty is chargeable.

89.—A., who was in partnership with B. and C. on equal terms, both as to Capital and share of Profits, died, leaving the following Estate:—

	£	s	d
Cash in the House	5	0	0
Cash at the Bank	500	0	0
Freehold Property	6 000	0	0
Household Furniture, valued at	700	0	0
Shares in various Companies, valued at	4,000	0	0

His liabilities were £150.

The partnership Assets and Liabilities were as follows:—

Stock-in-Trade	10,000	0	0
Debts (Good)	3,000	0	0
Cash at Bankers and in Hand	1,450	0	0
Bills Receivable	300	0	0
Liabilities	4,500	0	0

Make up a Statement of the personal estate of which A. died possessed, showing the amount on which Estate Duty would have to be paid.

90.—The estate of George Washington, deceased, was left in trust equally to his two sons, but the elder, having arrived at his majority, has received his share, the moiety being still carried on in trust for the younger. The Trustees did not, however, convert the whole Estate into cash, but have taken over some of the Stocks at cost price, instead of the prices then current, and this has now to be rectified. From the following particulars draw up six months' accounts, and show what further sum is due to elder, and how younger's position is altered.

On January 1st younger's Account is:—

	Cost Price.			*Present Price.*		
Pernambuco Water Works	£1,126	5	0	£1,220	0	0
Submarine Railway Co.	626	12	6	825	0	0
Arctic Railway Co.	500	0	0	579	10	0
British Funds	100	0	0	108	0	0
Mortgage	1,750	0	0			
Cash at Bank	2,847	8	6			

90.—*(continued)*

The following items are younger's Income and Expenditure Account to June 30th:—

Sundry Dividends	£59 5 1	
Interest on Loan	53 6 0	
Purchase of Corporation Stock		£2,700 0 0
Maintenance		47 5 3
Cash Allowance		40 0 0

91—Testator left the income of his Estate to his widow for life, and the capital to A. at her death.

Part of the estate consisted of Shares in the Prosperous Iron Company, Lim. At a date during the continuance of the trust, the Company, with a Capital of 51,000 Shares of £10 each, £7 10s. per Share paid up, had a Reserve of £100,000, and an undistributed balance of Profit of £40,000. It resolved to apply the whole of the Reserve and £27,500 of the Profit and Loss Account balance to the payment of a bonus of £2 10s. per Share, and to issue 17,000 new Shares to the Shareholders, being one new Share for every three old Shares, of which £7s. 10s. per Share was to be paid up.

Show how the widow and A. are respectively interested, and make the entries in the Trust Books.

92.—A. died on December 31st 1906, leaving behind him the following property:—Cash at Bank, £500; Cash in House, £50; £20,000 5 per cent. Stock in the Great Southern Railway Company, valued for probate at 110 (*ex. div.*); Debts due at death, £240; Funeral Expenses, £45; Freehold Property (let at £400 per annum, payable quarterly, on which the Christmas rents were unpaid) valued for probate at £7,500.

The Will was proved on March 31st 1907, when the whole of the Estate Duty was paid. Open the Accounts in the Executorship Books, showing the proper distinction between Realty and Personalty, Capital and Income.

93.—Taking the facts as stated in the preceding question, show the Estate Account in the Ledger, up to the final closing of the Estate on September 30th 1907, by the aid of the following additional information:—The Real Estate was specifically bequeathed to the widow. The following legacies were payable out of Personalty: £1,000 to widow, £50 each to X. and Y. (respectively the brothers of A. and of Mrs. A.). The residue of the personalty went to Mrs. A. and Z. (a niece of the deceased) in equal shares. Half-yearly dividends on the Stock were received on January 1st, and July 1st 1907. The Stock was sold on September 15th 1907 at 105. The tenant of the freehold property paid all rents due from him fourteen days after each quarter day. The Executorship expenses amounted to £120. Disregard income tax.

94.—How would you distinguish between Capital and Income in connection with Executorship Accounts?

95.—John Adams, deceased, left the whole of his estate, subject to payment of debts, duties, and certain pecuniary legacies, to his Executors in trust to pay the income to his widow during her life, with the remainder to his nephew James Anderson absolutely. The property left by the Testator consisted chiefly of leasehold shops and houses with an unexpired term of from 20 to 40 years, and the will contained an express proviso enabling the Executors to retain these investments. Fifteen years later Mrs. Adams died. If you were advising James Anderson, what points would you suggest that he should especially look into, with a view to seeing that Adams's Executors account to him fully for all that he is entitled to.

96.—A Testator left his Estate, after payme
his Executors to pay to his wife the net annual
income partly accrued due at his death.

He died on 25th December 1906, and left :—

Preference Shares in Public Companies pr
half-yearly on 30th June and 31st D

Ordinary Shares in Public Companies pro
1st March and 1st September in resp

Ground Rents producing £600 a year, d

Leasehold Premises producing £400 a ye

A Mill, sold within five months of Testator
net profit of £300.

Show the transactions in the Trust Books up
which the widow is entitled. Take no notice of

97.—State fully the difference between the Dou
System, and the general principles governing the val

To what classes of undertakings is the Do
and why?

98.—How may provision be made for Depreci
employed?

99.—How is Depreciation treated in the Account
deal with the rebuilding of works, originally costing
Company's books?

100.—Describe fully the correct method under b
of dealing with (*a*) Repairs, (*b*) Renewals, (*c*) Exten

101.—(*a*) Give a *pro formâ* Balance Sheet of a Mi
the Single-Account System.

(*b*) Show how the Accounts of the same underta
Account System.

102.—Messrs. Field and Croft desire to know
chargeable with Income Tax under Schedule D, and
Three years' Trading Accounts showed Profits o
charging against the Profits salary drawn by Part
Profits were divisible, two-thirds to Field, and one-th
from any other source. Explain what steps should b
show the amounts payable by each Partner, the ta

103.—State shortly how income derived from each of the following sources is assessed for taxation, and by whom the tax is paid:—

(*a*) Profits of a Railway Company.

(*b*) Profits of a South African Gold Mining Company.

(*c*) Rents of Freehold Property.

(*d*) Dividends on Government Stocks.

(*e*) Salary of a Civil servant.

104.—The Profit and Loss Account of the Alpha Brick Company, for the year ended December 31st 1906 showed a net profit of £175. This was after debiting the following items:— Depreciation of Fittings, £90; Depreciation of Plant and Machinery, £45; Reserve for Doubtful Debts, £30; Interest on Debentures, £120; Gratuities, £10. On the other hand Cottage Rents amounting to £62 net had been credited to Profit and Loss Account, and nothing had been charged for the use of business premises—the freehold of the Company—upon which £15 Income Tax under Schedule "A" had been paid on February 1st 1906.

Prepare a revised account, showing the profits for the year 1906, adjusted for purposes of Income Tax assessment.

105.—How would you deal with payments in respect of Income Tax, and deductions from "annual" payments on account of Income Tax, in the books of (*a*) a Private Firm, (*b*) a Company?

106—B., an official assessable to Income Tax under Schedule E, is in receipt of a salary of £400 per annum. He occupies his own house, which is assessed to Property tax at £45; he holds £1,000 2½ per cent. Consols; and his wife is in receipt of £50 per annum for dividend free of Income Tax on Shares in a Public Company. The house is subject to a ground rent of £5 per annum, and he has mortgaged it for £250 at 4 per cent. per annum. He pays £20 per annum premium on an insurance policy on his own life.

Draw up a statement showing the amount on which B. should be assessed.

107.—Prepare a Statement of Affairs and Deficiency Account, as on 10th October 1907, of William Corby, trading as William Corby & Son, from the following particulars:—

Cash in hand, £85; Book Debts £3,472, estimated to produce £2,869; Unfinished Contract in hand, estimated to produce £3,000 over and above the cost of completing it; Plant, Tools, &c., cost £1,880, estimated to realise £500; Office Furniture, estimated to realise £25; Stock-in-Trade, £1,900; Investments valued at £6,200, of which are deposited with Bankers as security for Loan £5,460; Life Policies for £2,000 of the estimated Surrender Value of £1,470, subject to advances made by the Insurance Company amounting to £1,420; Unsecured Creditors on Trade Accounts, £4,140; Unsecured Creditors for Cash advanced, £5.308; W. Smith for two months' wages due to him, £30; A. Compton, six months' salary due to him at £15 a month; Rent recoverable by distress, £45; Bankers for Loans partly secured, £10,134 (estimated value of Securities held by Bankers, £7,460, viz.:—Investments £5,460 and Lease £2,000); Capital Account on 1st January 1907 as shown by the books, £189; Loss on Trading from 1st January to 10th October 1907, £374; Loss on Sale of Investments made on 13th June 1907, £200; Drawings, £750.

108.—Johnson & Caley, merchants, are unable to meet their obligations. From their books, papers, and information supplied by them, the following particulars relative to their affairs are ascertained :—

	£	s	d
Cash in hand	250	0	0
Debtors—Good, £1,250; Doubtful, £600; estimated to produce £200; Bad £1,000	2,850	0	0
Shares in the Straights Shipping Company, Lim., of par value	5,000	0	0
Property, estimated to produce £9,000	14,000	0	0
Bills Receivable (Good)	4,250	0	0
Other Securities—£3,000 pledged with partly secured Creditors, and the remainder with fully secured Creditors	28,000	0	0
Johnson's Drawings	9,000	0	0
Caley's do.	8,400	0	0
Sundry Losses..	13,500	0	0
Trade Expenses	7,400	0	0
Creditors—Unsecured	25,000	0	0
,, Partly Secured	23,900	0	0
,, Fully Secured	17,000	0	0
Preferential Claims—Wages, Salaries, and Taxes	750	0	0
Johnson—Capital	10,000	0	0
Caley ,, ...	16,000	0	0

Prepare a Statement of Affairs, showing the Assets, with respect to their realisation; also a Deficiency Account in respect of the deficiency shown by the Statement of Affairs.

109.—From the point of view of Creditors, when is it desirable that the Estate of an insolvent Debtor should be wound up in bankruptcy, when that an offer of composition in bankruptcy should be accepted, and when that the estate should be wound up under a Deed of Arrangement?

110.—The assets of the Eastern Produce Company, Lim. (in liquidation), realised £4,800. The expenses of the Liquidation, exclusive of the Liquidator's remuneration, are £400, and the Liquidator is entitled to 5 per cent. upon his receipts as remuneration for his services. Creditors' claims absorb £2,500. Tho subscribed capital of the Company is 5,000 Shares of £1 each, of which 3,000 Shares are fully paid up, and the remainder 15s. per Share paid. Show, in proper form, the Account to be submitted by the Liquidator at the final meeting of the Company, after first adjusting the rights of contributories *inter se*.

111.—A Limited Company went into voluntary liquidation with liabilities amounting to £30,000 and assets which eventually realised £178,000. The Capital of the Company consisted of 10,000 Preference Shares of £10 each, of which £7 per Share was called and paid up. The holders of 8,000 Shares had, however, paid up the full £10 in advance of calls. There were also 10,000 Ordinary Shares of £10 each, on which £9 per share had been called. Holders of 2,000 Shares had, however, only paid up £8 per Share, while holders of 4,000 Shares had paid up the full £10 in advance of calls. Assuming that the Preference Shares have no prior rights as to Capital, show, in the form of a Liquidator's Account of Receipts and Payments, how you would divide the available balance among the Shareholders, assuming that the costs of the winding-up amount to £2,000, and that the calls in arrear are duly collected.

112.—The necessary resolutions are passed to reconstruct the Californian Mining Company, Lim., on the footing that the assets are to be conveyed to a Company about to be formed under the title of the New Californian Mining Company, Lim., with an authorised Capital of £500,000 in Shares of £1 each. The "new" Company is to pay the liabilities of the "old" Company, together with all costs of the reconstruction. At the date of the liquidation the Balance Sheet of the "old" Company was as follows:—

112.—(*continued*)

BALANCE SHEET, 30th June 1907.

Liabilities.	£	*Assets.*	£
To Paid-up Capital, £500,000, in Shares of £1 each	500,000	By Mining Property, at cost	400,000
„ Sundry Creditors	25,000	„ Plant, Machinery, &c., at cost ..	100,000
		„ Profit and Loss Account, balance to debit	25,000
	£525,000		£525,000

The reconstruction is to be carried out on the footing that each shareholder in the "old" Company is entitled to an equal number of shares in the "new" Company, credited with 17s. per Share paid-up. Holders of 450,000 Shares in the "old" Company apply for Shares in the "new" Company under the reconstruction scheme; holders of 2,000 Shares dissent from the scheme, and on arbitration are awarded 2s. per Share.

You are required to show the Balance Sheet of the "new" Company as it would appear on the completion of the scheme, assuming that all claims in the liquidation of the "old" Company (including costs amounting to £500) have been paid, and that the Shares issued by the "new" Company are all fully paid-up.

113.—A Limited Company, having carried out its business objects, went into voluntary Liquidation with the following Liabilities:—

Trade Creditors		12,000 0 0
Bank Overdraft		20,000 0 0
Capital—		
10,000 Preference Share of £10, £7 called		70,000 0 0
10,000 Ordinary Shares of £10, £9 called	£90,000 0 0	
Less Calls in arrear	2,000 0 0	
		88,000 0 0
Cash received from certain Shareholders in anticipation of Calls—		
On Preference Shares	£24,000 0 0	
On Ordinary Shares	4,000 0 0	
		28,000 0 0

The Assets realised £200,000. Describe the Liquidator's process of winding-up, and prepare a General Liquidation Account, allowing £2,000 as the expenses of the Liquidation.

Note.—No Interest need be brought into account. The Preference Shares have no prior Capital rights.

114.—An Insurance Company, having a paid-up Capital of £80,000 in 80,000 fully-paid £1 Shares, and a Reserve of equal amount, invested in Securities to the amount of £150,000, and outstanding Balances and Cash £10,000, is absorbed by another Company, the consideration being £65,000 in Cash and the allotment of one Share of £25 (£2 10s. paid, and standing in the market at £19 per Share in the Purchasing Company) for every 16 Shares of their own Company.

Close the books of the Vendor Company, and show how the transactions will appear in those of the Purchasing Company.

115.—A. & Co., Lim., and B. & Co., Lim., being pressed by their bankers and others, and obliged to pay off their loans, agree to amalgamate. Their position as to Share Capital and earnings is thus:—

	A. & Co., Lim.	B. & Co., Lim.
	£	£
Ordinary Shares of £10 each	300,000	100,000
Four per cent. Debentures, authorised £300,000, issued	200,000	Nil
Five per cent. Loans	20,000	60,000
Reserve Account invested in the Business	20,000	Nil
	£540 000	£160,000
Together		£700,000
Earnings—		
6 % on Shares	£18,000	£6,000
4 % on Debentures	8,000	
5 % on Loans	1 000	3,000
	£27,000	£9,000
Together		£36,000

A. & Co. will create further £100,000 Ordinary Shares and issue its £100,000 Debentures, buying up B., which will be liquidated. The whole of the expenses, including placing the £100,000 Debentures, are fixed at £10,000, and the working capital will be increased by £10,000. No increased profits are anticipated therefrom, but the £36,000 is considered maintainable. The Capital will then be £400,oco Shares showing 6 per cent. dividend, and £300,000 Debentures at 4 per cent.

You are requested to say how the further £100,000 Ordinary Shares should be apportioned and allotted as fully paid to the holders of the Shares in A. & B. respectively in such manner that the A. Shareholders will receive an advantage of £1,200 per annum over the B. Shareholders in respect thereof.

What Journal entries would be required to record the above arrangement in the books of A. & Co., Lim.?

116.—Describe the applications of the Slip System to Day Books, Returns Books, Cash Books, &c. Instance a few of the applications of the Slip System which have been in general use for a number of years past.

117.—Indicate shortly what you think to be a few of the advantages and disadvantages of the Slip System.

118.—Describe fully the nature and method of keeping Card Ledgers. Discuss the advantages and disadvantages of Card Ledgers as compared with Book Ledgers.

119.—Explain how slips of original entry may be employed as Ledgers, and mention any cases in which you think this form of accounting suitable.

120.—It has been stated, as an objection to Card and Loose-Leaf Ledgers, that they would not be admissible as evidence in a Court of law. Discuss this statement in so far as it has any bearing upon the desirability, or otherwise, of introducing such Ledgers into the books of a business undertaking.

121.—If you were asked to verify the Bank balance of a Cash Book, and agree it with the balance shown by the Pass Book, how would you proceed, assuming that the entries upon both sides were extremely numerous, and that it was desired not merely to agree the balance, but also to thoroughly check the various entries in detail?

122.—State the extent to which you think the Card System and the Loose-Leaf System might usefully be employed in connection with Cost Accounts.

123.—In the Costs Accounts of a Building Contractor should there be a separate Account showing the cost of each thing made, or is it sufficient to separate the cost of each contract or job? Give your reasons.

124.—(*a*) It is usual for the Trading Accounts of Tramway Undertakings to show the average per mile run of each item of income and expenditure. What is the use of showing these averages? Why do Tramways take a mile run as a basis for averages?

(*b*) What do you consider should be taken as the basis of the averages in each of the following undertakings:—

(1) Railways;
(2) Gas Works;
(3) Collieries?

(*c*) What description of undertakings are suitable for showing such averages?

125.—In what way is the Trading Account of an Engineering Firm used in a system of Cost Accounts?

126.—Should an Engineering Firm, in estimating the cost of making a machine, reckon the percentages of Works and General Charges on Wages and Material employed on the machine, or should they be percentages on the Wages only? Give your reasons for your answer. Also explain why percentages are taken, instead of the actual charges spent on each machine.

127.—What is the advantage of expressing cost figures in the form of a percentage, and what are the dangers of so doing?

128.—State the different methods in use of arriving at the total of Wages to be debited to Cost Accounts, and discuss their relative advantages.

129.—State the objects of keeping Stores Accounts, and explain how they are used in a system of Cost Accounts.

130.—What is meant by the term "Depreciation"; is it the same as ordinary wear and tear? Explain the object of charging Depreciation in the Profit and Loss Account as an expense.

131.—Explain shortly the various methods by which Depreciation on Buildings, Leases, Machinery, and Plant may be provided for, and give your comments on the working of the various methods.

132.—It is claimed by some Local Authorities that a Sinking Fund for the redemption of Assets renders a provision for Depreciation unnecessary. What do you think? Give your reasons.

133.—The Gas Department of a Local Authority which has issued its loans repayable in 25 years finds that at the end of ten years certain of the Capital Assets require to be renewed. The Local Government Board will not allow a further loan to be issued to cover the cost of renewal on the ground that the original loan has not been paid off. It is argued that in consequence the Gas Department has to charge against Revenue (*a*) the cost of the new assets, (*b*) the proportion of the cost of the old assets not covered by Sinking Fund instalments, and (*c*) has still for the next 15 years to charge Revenue with Sinking Fund instalments in respect of these assets, which are non-existent and have been written off out of Revenue.

Discuss this statement.

134.—State fully and exactly the consequences of omitting to provide duly for Depreciation.

135.—State in general terms what you consider to be Profits properly available for distribution. Under what circumstances (if any) could the following be included under that heading:—

(*a*) An amount received as compensation on the compulsory acquisition of business premises by a Local Authority.

(*b*) Premiums received on the issue of Debentures.

(*c*) The amount received on the sale of a Foreign Branch as a going concern.

136.—To what extent (if at all) is it (*a*) legally necessary, (*b*) financially desirable, that Depreciation should be taken into account when preparing the accounts of a Trading Department of a Municipal Corporation?

137.—What do you understand by the term "divisible profits"? How may they be determined?

138.—A Company having purchased a ten years' lease of certain premises for £1,000 decides to write off such lease by charging £100 annually against Profits. State exactly what will be the position of affairs at the end of the ten years.

139.—On 1st January 1907 a Company has a Reserve Fund amounting to £5,000 invested in Consols, and a balance to the credit of Profit and Loss Account amounting to £7,500. At the close of the year it is ascertained that the Company's operations have resulted in a loss of £10,000. You are required to show the effect of this result upon the Accounts named.

140.—Explain the nature and operations of the Insurance Fund of a Company owning a fleet of Vessels. Is such a Fund applicable to all sorts of ship-owning, and, if not, for what reasons?

141.—Give your views as to the respective advantages under differing circumstances of providing for the expiration of Leasehold interests by a Company owning such property—

(*a*) by the investment by the Company itself of a Sinking Fund;

(*b*) by taking out a policy of Leasehold Assurance;

(*c*) by writing down the value in successive Profit and Loss Accounts.

142.—What is the difference between a Reserve and a Reserve Fund? What is the object of creating the latter?

143.—A Firm expends large sums upon advertisements in order to form a business. Assuming that the expenditure thereon decreases annually until, in the seventh year, it reaches a point representing a normal annual cost under this head, how would you expect the amounts to be treated in each year's Balance Sheet? In your reply let £14,000 be the expenditure of the first year, and decrease £2,000 annually.

144.—A fire partially destroys a Factory, and damages a quantity of Stock. The Insurance Company settles the claims thus:—By a lump sum in lieu of rebuilding, by a further sum in respect of the beneficial interest of the Insurers in the property during rebuilding, by selling the damaged Stock to the Insurers at an agreed sum, and deducting such sum from the gross claim for loss of Stock. The rebuilding was effected at a lower cost than was anticipated, and a surplus remains. The damaged Stock is disposed of at a profit. How would you deal with the results of these transactions if you were certifying as to Trading Profits?

145.—What do you understand by the term "Sinking Fund"? How is it initiated and what is its operation from year to year?

146.—It has been stated that the Plant, &c., of a business cannot in a given year be depreciated unless sufficient profits have been made in that year wherewith to depreciate it. Show the fallacy of this statement, and the false issues involved.

147.—Explain the various uses of

(*a*) Reserve Funds.
(*b*) Suspense Accounts.

and furnish an example of each of the following cases:—

(1) Banker.
(2) Insurance Company.
(3) A Firm of Merchants.
(4) Trading Company.

148.—Under what circumstances is it desirable that a Reserve Fund should specially be invested? What class of securities should it be invested in?

149.—What do you understand by a Secret Reserve? State in what different ways such a Reserve may be created, and the extent to which you consider it permissible.

150.—A. acquires for the sum of £200 the seven years' lease of certain Premises, which are let to B. for £40 per annum. The Ground Rent payable by A. is £4 3s. 4d. per annum. Show how the Leases Account should appear in A.'s Ledger during the remainder of the term.

151.—The facts being as stated in the preceding question, with the exception of the circumstances that the premises are kept by A. himself, instead of being sublet to B., show the Leases Account indicating clearly the proper amount to be charged annually against Revenue.

152.—Illustrate the difference between Depreciation at 6 per cent. yearly on the original value of Plant and Machinery, and 7½ per cent. yearly on the value remaining after deduction of the previous year's charge, say, at the end of six years on £20,000.

153.—A., a manufacturer, lets to B. 10 Wagons on a Hire-purchase Agreement, under which he is to receive half-yearly instalments of £100 for five years. Show the necessary Accounts in A.'s books, reckoning interest at the rate of 6 per cent. per annum, calculated with half-yearly rests, assuming that the Wagons each cost A. £65 to make. Show also the Accounts necessary in B.'s Ledger to record the transaction during the currency of the Hire-purchase Agreement.

154.—A certain Motor Car can be bought for £800 cash down. The purchaser, however, not finding it convenient to pay the whole amount at once, agrees with the maker to pay in the following manner:—

£100 Cash down as Interest.
200 in three months.
200 in six months.
200 in nine months.
200 in twelve months.

£900

What actual rate of interest per annum does the purchaser thus have to pay by adopting this system of instalments instead of paying cash?

155.—Under a Hire-purchase Agreement the value of the Assets in question would increase year by year. What method would you suggest should be adopted to set them forth correctly in the various Balance Sheets? Take a term of seven years.

156.—Give a short example of an Account of Receipts and Payments, also of an Account of Income and Expenditure, and explain the difference between these two Accounts.

157.—Define what you understand by a Balance Sheet, state the sources and method of its preparation, and explain how a Balance Sheet differs from a Statement of Affairs.

158.—Define Trade Discount and Cash Discount, and give your views as to the manner in which they should be dealt with in the books.

159.—Would you defend, and if so on what grounds, the non-presentation by a Manufacturing Company of its Trading and Profit and Loss Accounts at its Annual Meetings?

160.—From the following figures prepare a Trading Account upon the usual lines:—

Stock on 1st January 1905	£3,000
Purchases	8,000
Wages (Productive)	2,000
Sales	12,000
Stock on hand 31st December 1906	5,500

161.—Taking the figures given in the previous question, prepare separate Manufacturing and Trading Accounts with the aid of the following additional information:—

Of the Stock on the 1st January £1,750 represents manufactured Goods; £250 Goods unfinished, and £1,000 Materials.

Of the Stock on the 31st December £1,250 represents manufactured Goods; £2,750 Goods unfinished, and £1,500 Materials.

The Purchases consist of £6,000 Materials, and £2,000 manufactured Goods.

The trade price of the Goods manufactured during the year was £7,700.

162.—What is the advantage of arranging the Accounts so as to show a Gross Profit as well as the Net Profit?

163.—Explain fully why it is that the Balance Sheet and Accounts of a business prepared from time to time are of necessity of a tentative character. When is it possible to prepare Accounts that are really final?

164.—What special points in the Balance Sheet of a Company—apart from the correctness of figures—do you consider need careful consideration to afford due protection to Directors and Auditors?

165.—What is "Goodwill," upon what is it based, and how should it be dealt with in a Trading Firm's books at the yearly closing?

166.—The books of a Company close on the 30th June. How would you deal with the following items, and how would your method of dealing with them affect the Balance Sheet and Profit and Loss Account of the Company:—

(*a*) Premiums of Insurance on Ship paid yearly on 31st March.
(*b*) Income Tax deducted from Interest on Debentures, paid on 30th June—date of closing.
(*c*) Wages accrued, but unpaid.
(*d*) Allowance of 1 per cent. on outstanding Book Debts to cover Discount allowances and Bad Debts.
(*e*) Stock in hand, and on what principle should it be valued as regards (1) Manufactured Goods, (2) Goods in process of manufacture, (3) Raw Material.
(*f*) Goods consigned in the hands of an Agent abroad.
(*g*) Wagons held on purchase lease.
(*h*) Patent rights purchased from Patentee.
(*i*) In the case of a Colliery, "shorts" redeemable within three years.

167.—State fully your views as to the correctness or otherwise of the following Balance Sheet, and draw a new Balance Sheet in conformity with those views:—

THE LAND EXPLORATION, &c., COMPANY.

BALANCE SHEET, 31st December 1906.

Capital, &c.	£	*Assets.*		£
Share Capital	5,000	Land Account:—		
Profit and Loss Account	5,000	Purchase Money, viz., 100 acres at £50	£5,000	
		Add Increase in Value	5,000	
			10,000	
		Deduct Sales of 25 acres at £200	5,000	
				5,000
		Development Account, viz.:—		
		Cost of Street Making, &c., on the whole Estate		1,000
		Cash in hand		4,000
	£10,000			£10,000

168.—A Limited Company having purchased Shares in another Company with the object o securing business connection, and there being no transactions or market quotations by which the value of the Shares may be fixed from year to year, state your opinion of the method which should be adopted by the Company holding the Shares for valuing them and stating this asset in its Accounts, first in the case of the benefits arising therefrom improving from year to year, and secondly on the assumption that the connection is becoming less profitable from year to year.

169.—Distinguish between Depreciation and Fluctuation of Assets.

170.—Your are requested as Auditor of a Mining Company registered under the Companies Acts, 1862 to 1900, without Articles of Association, should you disapprove of the following Profit and Loss Account and Balance Sheet, to amend the same in accordance with your own ideas. How would you amend them?

N.B.—No further depreciation nor reference to Income Tax need be considered.

PROFIT AND LOSS ACCOUNT, 1st January to 31st December 1906.

		£
To Charges at the Mine—		
Wages	£45,678	
Stores	17,322	
General Charges	2,454	
		65,454
,, Charges in London—		
Rent, Rates, &c.	671	
Directors' Fees, half charged	500	
Auditors' Fees	105	
Engineer's Fee	300	
Legal Expenses	218	
Printing and Stationery	76	
Salaries	839	
General Expenses	172	
		2,881
,, Bullion in Stock— 1st January 1906		1,743
,, Stores— 1st January 1906		864
,, Interest on Unclaimed Dividends		225
,, Depreciation on Plant, &c.		4,819
,, Balance being Profit		72,620
		£124,606

		£
By Sales of Bullion		92,664
,, Sale of Concentrates		9,106
,, Sale of Property included in Original Purchase Price, on Deposit with Bankers	£22,000	
Interest thereon	450	
		22,450
,, Bullion in stock estimated to have cost £12,200, and sold 28th January 1907 for		14,427
,, Stores in stock at cost price		9,486
,, Dividend Warrants for the two years ending 10th June 1906, not presented, and now cancelled		473
		£148,606

BALANCE SHEET, 31st December 1906.

		£
To Capital		440,000
,, Sundry Creditors		6,374
,, Dividends unclaimed in respect of Dividend Warrants not cancelled		370
,, Profit and Loss Account, Balance from last year	£5,588	
,, Profit for 1906, as per Profit and Loss Account	72,620	
		78,208
		£524,952

	£
By Purchase of Mines	400,000
,, Plant and Machinery	67,000
,, Sundry Debtors	18,750
,, Directors' Fees (balance)	500
,, Stores at Cost Price	9,486
,, Cash on Deposit, with Interest to date	22,450
,, Balance at Bank on Current Account	4,182
,, Cash in Hand (London and at the Mine)	132
,, Balance	2,452
	£524,952

171.—A Company formed for promoting other Companies receives Cash and Shares in such Companies to cover its Disbursements and Profits. In auditing the Accounts of the Company, when it is proposed to pay a dividend, how would you satisfy yourself as to whether this dividend had been earned? Give your reasons fully.

172.—In examining a number of Debtor Balances when making up the Accounts of a firm at the end of the year, what indications in the Ledger Accounts would you make use of to put you upon inquiry as to whether any of the Debts were Bad or Doubtful? In drawing up the Accounts of a Trading Company what is the best method to adopt in making a provision against Bad and Doubtful Debts?

173.—If you found the Stock of a Manufacturing Company much larger at the end of the year than at the beginning, and also the percentage of Gross Profit larger than in previous years, and on referring to a previous year's accounts (when the Stock at the end was much less than the Stock at the beginning) you found the percentage of Gross Profit less than in other years when there was not a similar difference in the Stocks, what inference would you draw from the facts, and why?

174.—The Trial Balance and Schedules of Debtors and Creditors in a Trading Company's books disclose:—

(*a*) Debts owing to and by the same firms among the Debtors and Creditors.
(*b*) Money owing by the Company to a Debtor for Calls unpaid and in arrear.
(*c*) Money owing by the Company to the acceptor of a Bill Receivable discounted by the Company's Bank.
(*d*) Money owing to the Company by the drawer of a Bill Payable accepted by the Company.

What considerations would guide you in deciding in each case whether these sums should respectively be set off and excluded from the Balance Sheet or not? Assume for the purpose that they are all equal in amount.

175.—An Investment Company on December 1st last bought £10,000 of 4 per cent. Debentures of W. & Co., Lim., at 95 per cent. and paid a commission thereon of 15s. per cent. to cover all expenses. Between December 1st and 30th they sold and received payment for £7,000 of the Debentures at par. The purchase-money was provided by the sale of £8,850 of 2¾ per cent. Consols, part of £20,000 Consols which had been purchased and stood in the Company's books at 110. Set out in the Ledger Account with W. & Co., Lim., the transactions in the Debentures; also show in the Consols Account the entry of the transaction therein, and write up the Profit and Loss Account so far as it is affected by these transactions.

176.—A Company brought out a new Machine, and, for the purpose of getting it upon the market, sent to a large number of their customers Machines on sale or return. These Machines were debited in the Ledger Accounts of the several customers and included in the Ledger Balances at the end of the year. How would you deal with these Accounts in preparing a Profit and Loss Account and Balance Sheet?

177.—Explain the method you would recommend for recording the transactions involved in supplying customers with Goods on sale or return as stated in the above question. Illustrate your answer by an example in which six Machines are sent out, four are sold and two are returned. If you prefer a special form of book give a specimen of the ruling.

178.—The Coal Mine Company, Lim., took a lease of a Colliery from G. Risch for 99 years from September 29th 1904, at a Ground Rent of £50 a year, payable half-yearly, and a Royalty of 6d. per ton with a minimum Royalty of £80 a year payable half-yearly. During the first year the Company raised 2,500 tons, and during the second year ended September 29th 1906, 4,000 tons. The several amounts due to G. Risch were paid twenty-one days after becoming due.

Write up both Personal and Nominal Accounts, and balance them at the end of each year.

179.—How would you suggest that a Trader or Manufacturer should make provision in his books for known and uncertain losses by Bad Debts?

180.—How would you deal in a Life Insurance Company's Accounts with Premiums received, bearing in mind the fact that Premiums are always paid in advance? Should you apportion them? If not, why not?

181.—How would you deal in the books, and on compiling the Balance Sheet, with the Sacks sent out and returned by the customers of a firm of millers, having regard to the following facts:—

Sacks are debited when sent out at 1s.

An allowance is made for Sacks returned in good condition 6d., the estimated actual value of Sacks returned is 4d.

New Sacks purchased cost 7d.

The debit balances against customers may include the Sacks, which will either be paid for in full, or returned to claim the allowance; or, again, customers may, having perhaps mislaid the Sacks, refuse to pay more than the estimated value of the Sacks missing.

182.—A Mineral Water Company sends out cases of water to Chemists in various parts of the country "on sale or return." In auditing the accounts you find each Chemist is charged with the stock at the value he is to obtain for it when sold, and he is allowed to deduct 20 per cent. from this value when accounting for his sales. In the Profit and Loss Account of the Company credit is taken for the total value of the water as charged to the Chemists during the period embraced by the account. Would you, as Auditor, object to this method of treatment? If so, state fully how, in your opinion, these consignments should be treated?

183.—A. & B., colliery proprietors, take a Lease for 21 years at a Dead Rent of £600 a year, merging into a Royalty of 1s. a ton. The Dead Rents are recoverable out of Royalties paid within five years; 800 tons were raised the first year, 4,600 tons the second year, and 75,000 tons the third year. 100 Colliery Wagons were purchased by the firm on the hire-purchase system, by which the wagons, at the end of ten years, became their absolute property in consideration of their paying 15s. a month for each wagon. It was assumed by the firm that each wagon would be worth £40 at the end of ten years. Show the Ledger Accounts for "Dead Rents," "Royalties," "Purchase of Wagons," for the first three years, the Accounts being balanced at the end of each year.

184.—A Mining Company, having its registered office in London, remitted to its Manager in South Africa during the year 1906 two sums of £3,000 each. The following were the payments during the year at the Mine:—

Wages, Development	£1,000
Do. Mining and Milling	1,000
Salaries..	800
Stores	2,000
N.B.—The Stores used during the year were £800 in Development and £700 in Mining and Milling.	
Sundry Expenses	300

Bullion to the value of £3,600 was produced, and sent to the Standard Bank of South Africa, who advanced £3,500 on it, which they remitted direct to London.

Give the form in which the Manager's Accounts should be sent to London, and show how they should be entered in the London books.

185.—What do you understand by the term "Periodical Returns"? By whom are such Returns prepared, and for what purposes? Taking any concern with which you are acquainted, state what you consider such Returns should comprise.

186.—It is a common practice for monthly statements of transactions to be submitted to the Boards of Directors of Limited Companies. Why do these statements as a rule fail to give accurate trading results? Can you suggest any way in which dealers (not manufacturers) in valuable goods, such as jewellery, could overcome this difficulty?

187.—State how the amount of Stock-in-hand of a trader from time to time may be estimated when it is not practicable to actually take stock more than once a year. Give an example of such an estimated Stock Account, and state briefly its uses and its limitations.

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